



**BANKING ENQUIRY COMMITTEE**  
**FOR THE**  
**CENTRALLY ADMINISTERED AREAS**  
**1929-30**

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**Volume II**

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**EVIDENCE**

**TAKEN IN THE**  
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**BANKING ENQUIRY COMMITTEE FOR THE CENTRALLY  
ADMINISTERED AREAS.**

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**MINUTES OF EVIDENCE**

TAKEN BEFORE THE

**Banking Enquiry Committee for the Centrally  
Administered Areas.**

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**Saturday, November 16th, 1929.**

**PESHAWAR.**

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PRESENT :

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (*Chairman*).

The Hon'ble Nawab Major  
MOHAMED AKBAR KHAN, C.I.E.,  
I.A., M.C.S., KHAN OF HOTI.  
Professor H. L. CHABLANI, M.A.

Lala BAL KISHAN.  
Mr. V. F. GRAY, M.L.C.  
Khan Bahadur Haji KARAM ELAHI  
SETHI (*Co-opted member*).

Mr. V. S. MARBALLI (*Secretary*).

Nawab Sir Sahibzada Abdul Qaiyum, K.C.I.E., M.L.A., Member, Indian Central Banking Enquiry Committee and Mr. V. K. Aravamudha Ayangar, M.A., C.I.E., M.L.A., Secretary, Indian Central Banking Enquiry Committee, were also present.

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**Khan Bahadur SAADUDDIN KHAN, B.A., LL.B., Additional  
Judicial Commissioner, North-West Frontier Province.**

**Replies to the Questionnaire.**

1. 2—6. The rate of interest charged to agriculturists varies. Ordinarily it ranges between Rs. 3 and 2 per cent. per month, but in some cases it goes beyond these figures, though it is seldom that it is below Rs. 2 a month. From time to time interest is calculated and added to the principal and a fresh bond or rather acknowledgment consolidating the loan is executed. This usually happens after every 2 or 3 years.

2. Before the Land Alienation Act was introduced, the usual process was to start with a small loan and when the capital and interest calculated in the manner above stated reached a decent sum, pressure was put on the debtor. Either a suit for the recovery of the amount was brought and decree obtained or privately the refund of the loan and

interest demanded. Anyhow the debtor was invariably made to mortgage his land. Such mortgages were generally possessory in form and almost invariably accompanied by a lease deed under which the mortgagee became the landlord and the mortgagor occupied the position of a tenant under him. From the very start the actual transfer of possession under the mortgage was never intended and in fact the lease money was nothing more nor less than interest calculated at the rate current between the parties. Such lease money was not unoften far in excess of the produce and the necessary consequence was that it fell into arrear and was piled up. This led to taking mortgages and the vicious circle went on till finally land was sold to the creditor. Even after that generally the debtor remained as a tenant but as he had lost all interest in the land, his cultivation used to be of very indifferent kind: neither the quality of the produce nor its quantity improved. Thus the property went out of the debtor's hands for the comparatively paltry sum originally borrowed. The former proprietor was reduced to the position of a tenant-at-will for all time and his tenure was always precarious.

3. Since the introduction of the Land Alienation Act this process has been to a certain extent checked, but unfortunately the former money-lender is now replaced by an equal if not more avaricious personality, the *zamindar* money-lender. The Land Alienation Act, is not an unmixed blessing and without some other facilities for credit, it puts the peasant-proprietor, who owns a small holding, in an unenviable position. His credit is lowered and even for his legitimate wants, he cannot find money unless he pays a very exorbitant rate of interest. As long as the Land Alienation Act is not accompanied by palliative measures, such as mortgage banks or co-operative credit society system, it fails to achieve its object; at least it does not succeed to the extent to which it should in securing the peasant-proprietors, who are the backbone of the country, in their holdings.

4. 7. The system mentioned in this question is not unknown though it does not prevail in this part of the country to such an extent as to become at once noticeable. There are big *zamindars* and even apart from that there are money-lenders who advance money to the poor and needy tenants and in lieu of interest thereon exact personal service. Many of the money-lenders and business people living in villages secure *chowkidars* in this way.

5. 8. In many instances the original paltry loan described in answer to question 2 above starts in this way that the needy debtor is advanced something in cash and he is made to execute a bond to the effect that on such and such a date he would pay agricultural produce in lieu of the loan calculated at a rate which is always far below the market value, with a default clause that in case of default he would pay market rate current at the fixed time. Sometimes this also happens when the peasant gets advance in kind for seed, etc. But there are no organized money lending communities or *zamindars* carrying on this business. Almost every money-lender whether he be a professional money-lender or a *zamindar* money-lender, carries on this business.

6. 9. So far as I have seen, the Usurious Loans Act is considered almost a dead letter. No court ever takes the trouble to draw upon it, nor do the litigants who are generally illiterate know of its provisions or take advantage of the benefit accruing therefrom. Some alteration in this Act appears to be necessary for its successful working; in particular it should be provided that it should be the duty of every

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court to see if the case before it does come within the provisions of this Act, just as we have got a provision in the Punjab Pre-emption Act that it is the duty of the court, whether or not the parties raise this question, to see that the sale which is the subject of pre-emption suit does not contravene the provisions of the Land Alienation Act.

7. 10. The necessity of the publication and regulation of accounts of money-lenders is far more patent in this province than in the Punjab and I think something in the nature of the Bill originally introduced by Mr. Maqbul Mahmud in the Punjab Legislative Council a few years back only would meet the situation. It would certainly ensure fair dealings between man and man and relieve the poor agriculturist who is often illiterate, and who is practically dictated his terms by the money-lender, whether professional or Mussalman *zamindar*. This is especially so now-a-days when the credit of the peasant-proprietor is low and the scope of raising money is restricted. I would not confine such Regulation to the case of professional money-lenders, but would suggest its extension to those *zamindar* money-lenders who are now-a-days really sapping the life blood of the peasant-proprietor.

8. 11. There are no village boards or village *panchayats* in this Province.

9. 12. There is no organised system at present prevailing whereby agriculturists are financed. As stated above, whenever the need arises, for expenses of cultivation, failure of crops, or payment of land revenue, etc., the peasant-proprietor has to look to his money-lender. In such circumstances he can never see his way of investing capital for permanent improvements and it is very seldom that he incurs any liability for making permanent improvements. Whenever the peasant-proprietor borrows, whether it is for purposes mentioned in this question, or for other purposes, the rate of interest he is called on to pay is not affected. It is just the same whether he gets his money for carrying out a vendetta or for defending himself in a criminal case, or for paying marriage expenses, or for expenses of cultivation, etc. Excepting that in certain cases and under certain conditions *takavi* is advanced by Government, the Imperial Bank or any other joint stock bank lends no helping hand to the peasant-proprietor. The co-operative bank system is just making a beginning in this province, though it is a very slow beginning and is proceeding at a pace which is most disappointing.

10. 13. There are so many difficulties in the way of the cultivator getting *takavi* advances that he cannot freely utilise this source. The routine red-tapism, the various persons through whose hands his application has to pass before it is sanctioned and various other troubles that have to be put up with deter a *bona fide* agriculturist from approaching the authorities for a *takavi* loan.

11. 14. As already stated there is no co-ordination of the kind mentioned in this question.

12. 15. The prevailing system as described in answer to Question 2 is so obviously defective and vicious that it does not require any further comment.

13. 17. There are no organized marketing centres in this Province. The produce is generally appropriated by the village money-lender in lieu of interest from many peasant-proprietors and it is he who then sends it to the bigger towns where there is a market. Those fortunate proprietors who can spare produce for sale always take it to the village *bania* and it is very seldom that they directly go to the market in the town. The bankers and merchants do not take any direct part in this.

method excepting that in bigger towns like Peshawar it may be that ultimately the produce is disposed of by merchants either through banks or directly.

14. 19.—The conditions of the peasant proprietor are such that he hardly has an occasion to store his produce. As already stated either he has to meet his liabilities to the *bania* or his other liabilities, and whatever he can spare is at once sold by him. It is very rare that he stores his produce for favourable rates in the market. Whenever he stores, it is in his corn-bin, in his own house, but he has never any occasion of storing his produce at the market, and there has been no case in which he obtained a credit on the security of his stored stock.

15. 20—24. The dominant feature in the North-West Frontier Province is small, or at best moderate, peasant proprietorship and under the conditions of agriculture prevailing here necessity for consideration of the proposals contained in these questions hardly arises.

16. 25 and 26.—The general system of loans as it prevails here among the agriculturist community has been described above. All these loans may be considered as belonging to long term credits; in fact they are always so to say indefinite as regards period of payment. The sources from which these loans are obtained have also been detailed above. These loans are always taken by landlords but in many cases they are unconnected with anything like agricultural need. This is particularly the case with Peshawar district where the majority of holdings are small and there is no large room for improvement left at least under the present conditions. Experience shows that the starting loan invariably is either for marriage or funeral expenses or for defraying or meeting the cost of litigation mainly criminal, but some times civil too.

17. 27. *Takavi* under the Land Improvement Loans Act is not much applied for. As stated above except in exceptional cases like floods, drought, etc., the small peasant proprietor does not feel the necessity of improving his time honoured methods of cultivation. There are however occasions when there is real need for improvements, for example, if the land has become waterlogged and has to be drained. In tracts like Dera Ismail Khan embankments have to be made at considerable expense and labour to enclose fields so that they may be able to hold flood water, but the departmental machinery is so very slow and complicated that the poor *zamindar* hardly finds it to his advantage to apply for *takavi*. It is doled out in such small sums that it becomes hardly worth trying for. Some simplification of the departmental process is all that is required.

18. 28. It is rather difficult to give the average price as the variations are so great that no average can be satisfactorily struck. Generally canal irrigated land in places removed from central towns are now-a-days sold at something like Rs. 100 to Rs. 150 and sometime even up to Rs. 200 per *jarib* which is half an acre. In case of landlords possessing land in excess of what they can actually cultivate, land is generally given out on lease. The market value in such a case is of course dependent upon the profit it brings, but in the case of disposal of land by a needy agriculturist who has become involved in the clutches of the money-lender, it never bears any proportion to the produce. There are cases in which persons though belonging to agricultural community but not possessing land, or possessing small areas not enough for their needs, earn money by service, etc., and are anxious to invest it and to acquire more land. In such cases the rate paid is always in excess of the proper yield of the land.

*Khan Bahadur Saaduddin Khan.*

19. Land is seldom sold (in Peshawar at least) for non-payment of revenue, while under the provisions of the Land Alienation Act, it cannot be sold in execution of a decree. In the case of sale by private negotiations the factors affecting the value of the land have already been noted.

20. 29. Under the Land Alienation Act land cannot be mortgaged to a non-agriculturist, but there is no restriction in the case of agriculturists. One agriculturist can freely mortgage the land to another agriculturist. No doubt this restricted scope of raising money does affect the capacity of the agriculturist to borrow capital, but considering that it is always to the interest of the country as a whole and to the well-being of the community that the agricultural communities should remain in possession of the land, I am not prepared to recommend any modification of the existing law. All that is wanted to meet the proper needs of the agriculturist is some co-operative credit banks run for the interests of the agriculturists though on business principles.

21. 30—32. There are no mortgage banks in this province and the ordinary banks do not generally advance money on the security of agricultural land. As things stand at present a tenant who has got no fixity of tenure in the land has a very poor chance of getting any credit. An occupancy tenant may be able to get advances but that class is a very limited and restricted one in the Peshawar district.

22. In the interests of landlords *zamindara* banks are urgently required with a constitution more sympathetic than the one which prevails in the Punjab. Co-operative credit banks in the Punjab are becoming more and more like ordinary banks run on purely business lines as time goes on. To start a bank of this kind in this province is not an easy matter, because in the first place the landlord as a class has got very little capital to invest, and in the second place people generally do not realize the advantages of such co-operative societies. As I have stated above the humane object of the Land Alienation Act can only be fully obtained if there are banks serving the needs of the agriculturist communities started on right lines. To begin with Government will have to contribute some capital and to draw up a constitution which may be attractive to the landlords for purchasing shares and becoming directors. For sometime to come the management of such banks must to a great extent remain under the supervision and control of the revenue authorities. A land mortgage bank would entirely, or at least mainly, depend for its capital on the Government, if the sale of shares is to be restricted to agriculturists only. In case the sale of shares is thrown open to the public, I am sure some capital would be forthcoming, but the Government will have to subscribe the balance. Even where the sale of shares is thrown open to the public at large, I do not think that an institution of the kind would be successful if the directorate does not contain preponderant element drawn from the agricultural community. After some time when the institution develops and the people realize its benefits capital would be forthcoming easily in the shape of deposits. In case debentures are issued they would not find an easy market until and unless there is government guarantee behind both for principal and interest. As according to my suggestion Government has to contribute balance of the capital, it necessarily follows that if the debenture stock is not taken up by the public in full, Government should take up the balance. As there will be Government security behind these debentures there is no harm if they are included in the list of trustee securities.

23. Such banks should, according to their constitution, issue loans in ordinary cases not for long periods. It is only where the bank is satisfied that the money will be utilized in permanent improvements (wherever it is possible) that long-term credit should be given. In short loans the amount advanced may be equivalent to the 3 years value of the estimated produce, while in the case of long term credit the amount may be advanced up to the extent of two-third of the value of the property mortgaged.

24. 33. As regards raising money such banks may be allowed to pay ordinary Imperial Bank rates of interest and I do not think that there will be any difficulty in raising a loan, as according to my suggestion there will be Government guarantee behind it. Such banks may charge interest on the loans advanced by them up to say 4 per cent. more than what they have to pay. This 4 per cent. will not only cover the cost of expenses but may give a little saving.

25. 34. I have already given the method of calculating. The value of the land in the case of short-term loans, while in the case of long term credit the value can be estimated by any of the means provided for in the Pre-emption Act.

26. 35. As I recommend direct Government supervision and control no further measures would be required to secure it against unnecessary loss.

27. 36. Records of rights, if properly kept, are simplest in form and practically avoid possibility of disputes. In practice no doubt it has been observed that mutations are generally slow and there is every chance of complications arising. A strict observance of the rules will be quite sufficient to give complete and correct information in the record of rights.

28. For a successful working of the bank no doubt some simplification of the process in the case of foreclosure and sale would be required. Such simplification may be effected on the lines of the Punjab Act meant for redemption of mortgages.

29. 38—40. There are no subsidiary industries of any importance or value in this Province. In tracts producing sugarcane *gur* is manufactured, but it finds easy market and as the system prevails this industry, if it may be called an industry, does not suffer from lack of capital or want of conveyance. It is only in Peshawar that there are fruit gardens and lately fruit is grown in Mardan too. In Peshawar, fruit culture is not carried on as a business proposition but is run purely on agricultural lines. The produce, however, finds an easy market in Peshawar itself and is conveyed to down country, even up to Calcutta, by rail and motor. In view of the conditions of this Province no particular effort is required, and consequently no answer to Qs. 38—40 is submitted.

30. 41—47. It is only lately that a start has been made and that too on a very modest scale. In the Punjab as these banks have been working for considerable time, it appears that they are not merely money-lending institutions but they do some real banking business too. As we have not had enough experience yet of these banks, I am not in a position to answer questions 41—43, but with regard to question 44 I can safely say that greatest possible difficulty is being experienced wherever these banks have been introduced to find capital and to get satisfactory management to run them. The Peshawar district may be taken as a sample of the whole province. There are feuds and factions in every village and it is always a job to bring the two opposing

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factions together to work out successfully an institution of this kind. As I have already stated peasant proprietors, who constitute the majority of the agricultural population, are living almost from hand to mouth, and from them it is impossible to expect, at least at present, any decent working capital and this is another difficulty which is being felt in the way of successful introduction of this institution in this district. But co-operative institutions, with all the difficulties confronting them, have, wherever they have been introduced in the Punjab as well as in the Hazara district, done and are doing some useful work in alleviating the conditions of poor agriculturists. What is required is decent capital to be advanced by the Government to start with, and when these institutions develop, it can be easily recovered. Under present conditions this is all that can be said with reference to questions 41—47.

### Oral Evidence:

31. *Chairman*: How long have you been Additional Judicial Commissioner?—Since April 1926.

32. Before that I suppose you practised?—Yes.

33. Where?—In Peshawar.

34. You lived all your life in this province?—Since April 1898.

35. You don't belong to this province?—I belong to this province but not to Peshawar. I came to Peshawar in 1898.

36. You have given us a very interesting memorandum on the questions that we put. You have spoken of the high rate of interest that is charged to agriculturists. Is there any special reason for this high rate?—Well, it is because the thing depends upon the village *bania*. The agriculturist has to depend upon the man who is in the village, who is the only source of money and who can therefore dictate his terms. There are no other facilities for getting loans.

37. Does this rate of interest in your opinion bear any relation to agricultural conditions or to any legal enactment?—I have already stated that at any rate in mortgages the lease money is only in name; really it is interest which is fixed, always fixed at a rate which has got absolutely no ratio to the produce of the land mortgaged.

38. You don't think that the Land Alienation Act has anything to do with this high rate? You mean it was before the introduction of the Land Alienation Act that the rate of interest was so high as this?—Yes, but it has been kept at the same level. As I have said, all village *banias* have to a certain extent been replaced by a new kind of money-lenders.

39. Is this new kind of money-lender more popular with the agriculturist than the old ordinary money-lender?—Well in the case of the old money-lenders the process was slow. In the case of the present money-lenders it is short and swift.

40. Would you mind making it more clear?—The old class of money-lenders replaced the peasant proprietor by a slow process. The new kind of money-lender is very short and swift; he replaces him in shorter time.



41. Still this new kind of money-lender, as you would call him, after all belongs to the agriculturist class?—Yes.
42. And there is that difference?—That is the only difference.
43. Land does not go out of the agricultural classes?—You have to look at this from a higher point of view. For example, if 99 persons are deprived of the land, the whole land will be in the hands of one man. You cannot call it an ideal system.
44. You think his methods are more drastic than the methods of the old ordinary money-lender?—In the first place, I have explained that the old class of money-lender never expected to take actual possession of the land. The new class of money-lender of course would take possession of the land. When the old class of money-lender gets a sale-deed and the land is sold in his favour, the debtor would try to retain the same land as a tenant, though when things went to a breaking point, the debtor was sometimes replaced by an enemy of his. But the new money-lender has got no scruples in taking possession; he at once steps into his place.
45. Does he not require a tenant also?—His tenants are usually recruited from a different class, not from the former peasant proprietor class. His tenants are generally recruited from a class of menials who are generally non-agriculturists. I mean there are classes in this province who though they cultivate land as tenants do not properly belong to agricultural classes. When they came here on conquering expeditions they brought a certain amount of helpers who settled along with them and who then began to cultivate their lands.
46. Do you think that the Land Alienation Act has affected the borrowing capacity of the agricultural classes in your province?—It has no doubt restricted the scope and shifted the centre of borrowing from one class to another.
47. I do not quite understand it?—That is to say, formerly they used to borrow from a certain class, but now they borrow from the *zamindar* class.
48. The result as far as the tenant is concerned is the same?—To a certain extent the result is the same, though the only thing is that after all there is this consolation that the land is left in the hands of agricultural families. By degrees the old proprietors are again thrown out of possession even as tenants, though as tenants they have still got some attachment to the land. As I say, the peasant proprietor's position is reduced to that of a tenant which is deplorable. His moral stamina deteriorates and the productive power of the land is not increased.
49. You mean that when the peasant proprietor is expropriated in that way, the land does not really go into the hands of an agriculturist, but goes into the hands of people who are helping the landlord class?—Yes, as this centralization process goes on, the land would be owned by a few people.
50. How would you arrest such a process?—I have submitted in my memorandum that some sort of *zamindara* banks would be required to help the peasant proprietor in case of need.

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51. Would you associate with your *zamindara* banks both classes of money-lenders, agricultural and non-agricultural?—Yes, as shareholders. But as I have pointed out, if you want to retain the utility of such institutions you ought to have on the directorate persons who have got sympathy for the peasant proprietor and as well as for the middle-class people, who provide capital.

52. What sort of middle-class, urban middle-class?—Rural middle-class. They will bring capital which will entitle them to be on the board of directors.

53. The money would be forthcoming?—I think in course of time it would be.

54. In the beginning?—In the beginning we shall feel difficulty. In the first place, people here do not realise the advantages of such an institution. There are factions. If a *zamindara* bank is started in a village by one faction, the other faction takes up a position against it. But in course of time when the advantages are realised, the middle-class proprietors will generally be very keen about these things and work them successfully. In the Campbellpur district you find small peasant proprietors who are carrying on these *zamindara* banks very successfully.

55. Khan Sahib, would you tell us whom you would describe as a big landlord in this Province?—My description applies to every local magnate, leading man in the village who tries to appropriate. The law of human nature being what it is, he goes on trying to swallow the smaller one. So far as big landlords are concerned, except in Peshawar you will find very few big landlords.

56. Then in your opinion the remedy for all these ills will be the propagation of co-operative societies in the province?—That is what I submitted to the local Government in my memorial in 1925. Even then I pointed out that the Land Alienation Act was introduced into the Province not as an economic measure, but as a measure for maintaining the status of the agricultural community, which was necessary if the various purposes which this community was expected to serve were to be achieved. For example, your army is drawn from these peasant proprietors. If they are expropriated and reduced to the position of serfs, you will not get men of the calibre who would be of use to you in the army. Similarly even in civil employ, if a man is only occupying the position of a slave, you cannot expect that moral tone in him which would be necessary in civil administration. The peasant proprietors really constitute the backbone of the country and to maintain it, it is the first duty of the Government to take steps to safeguard his rights and the Land Alienation Act was based upon these considerations more than on any economic considerations. (Of course, as a matter of pure principle of political economy, every man is left free to dispose of his property as he likes, but for the sake of the well-being of the community you have to restrict and limit his power of disposal.

57. To your knowledge, has the question of starting mortgage banks been considered by the local Government?—Not to my knowledge. When I first approached the Government in 1925, I was told that the introduction of such banks was under contemplation. From 1924 to 1927 the Government did not move. In 1928 they tried to make a start

in the Hazara district only about co-operative societies, but even then the whole of the Hazara district was not taken within the scope of their operations. Since the beginning of this year, they have been started in one tahsil of the Peshawar district. This is why I have said, that the process was slow and very disappointing.

58. Any special reason for it?—Probably the Government will say that they have not got money. I do not know. I was not given any reply on that point beyond this that the Government were considering the question.

59. Would it in your opinion be sufficient to meet the needs of the agriculturists if a central bank with branches in each district and sub-branches in each tehsil and village was started?—Provided money is lent for agricultural and industrial purposes, they will meet the situation.

60. And at the same time limit in some way the activities of money-lenders of both classes by legislation?—If there are banks started with branches in rural areas no doubt they will be of great use to the community, provided the necessary facilities are given and red-tape is not observed to the extent to which it is observed in other departmental institutions.

61. You said there was some difficulty in getting *takavi* loans by zamindars. How would you simplify the procedure?—In my opinion the matter could be simplified if the Revenue Assistants were given instructions to give *takavi*.

62. May I know what the present procedure is?—A man has to obtain the *fard* from the *patwari* and there he finds the first difficulty; then he goes to the tehsil and submits an application to the Naib Tehsildar where he meets the second difficulty. The Naib Tehsildar sends the case to the Tehsildar who recommends the case to the Revenue Assistant. The Revenue Assistant again makes further enquiries and sends it back to the Tehsildar and the vicious circle starts. Ultimately, perhaps the period of his need is over when the loan is sanctioned. When the loan is sanctioned he has to go to the Tehsildar and get a permit for the loan.

63. Would it simplify matters if there was a special *takavi* officer for each district or tehsil with authority to advance on the spot?—The Revenue Assistant has to go on tour and if he is given instructions to take up *takavi* cases and decide them on the spot, it would expedite matters.

64. About the Usurious Loans Act, you say that the courts do not apply its provisions?—That is what I have observed during my inspection of courts. I never came across a case in which the Usurious Loans Act was ever thought of.

65. Practically to all intents and purposes it remains a 'dead-letter'?—Yes.

66. Is it because no special rules have been framed which would enable you as the head of the Judicial Department to issue orders in the matter to subordinate courts?—In our inspection notes we had pointed out that such a thing does not exist.

67. No rules framed under the Act?—We had some rules as in the Punjab, but the difficulty always lies in the fact that courts are always slow to work and the litigants, illiterate as they are, never invoke the aid of the Act.

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68. Is there any special reason for the apathy of the courts?—The court is considered here as elsewhere as an impartial arbiter between the two contesting parties and to give its judgment accordingly.

69. Would you impose any obligations?—Yes, similar to those under the Punjab Pre-emption Act in which there is a provision according to which the court has to try of its own motion certain issues where alienation is against the provisions of the Act, whether or not the parties raise that question.

70. Are there any village boards or *panchayats*?—No.

71. Do you think they are any good from the point of view of our enquiry?—If you start *zamindara* banks in villages we do not require any *panchayat*, but the *panchayat* may be of some use in recommending loans. The *panchayat* has got its uses and abuses too which probably will have to be considered in the light of the circumstances of this Province. But so far as this matter is concerned, I do not think it will help much.

72. You recommend the enactment of some sort of legislation on the lines of the Money-lenders' Bill in the Punjab?—Not the present bill but the one which has been turned down.

73. May I know why you are against the present Bill?—My experience at the bar for a long time convinced me that in many instances where the plea of the debtor was scoffed at simply because there was no regular account book produced by the other side to support it, such a plea was as a matter of fact true. In every case you will find that the money-lender will go to court with a rough sort of memorandum book and if you ask him where his ledger, cashbook, etc., were, he will say "I am a village money-lender, I do not keep any cash-book".

74. You don't anticipate any growing disinclination on the part of the borrower to borrow if the money-lender's accounts were subject to periodical audit?—No. Everybody knows what he does and where he borrows and how his land is pledged. There is no further exposure of his status when the accounts are audited.

75. You seem to think that most of the borrowing is done by the peasant proprietors, that money is spent largely on funeral expenses, hospitality, marriage expenses and so forth. How would you limit the discretion of the borrower? Would you recommend any legislation?—I would recommend legislation that in no case should the land be alienated except where there are *zamindara* banks when it might be alienated in favour of those banks provided the *zamindara* banks advance money only where they find that it is needed for the improvement of agriculture or for absolute necessity.

76. Who is to judge whether a case is of absolute necessity or not?—I will give an example. I was for some time a local director of the defunct People's Bank of India. People used to put in applications and we wanted to know what the money was required for. They used to give us every excuse, for instance, clearing goods, meeting the demands of the suppliers, etc. We tried to satisfy ourselves to the best of our ability that the money was required for trading purposes. Such enquiries should be made by *zamindara* Banks who should advance money only in such cases. In other cases they could go to the tehsildars for help.

77. You would have to see that the loans are required for legitimate agricultural purposes or for domestic needs?—Yes.

78. You say that there are no good marketing centres in this Province. Most of the produce of the peasant-proprietor goes to the money-lender?—Yes. Whatever he could spare beyond his needs and sometimes perhaps he has to cut down his needs in order to meet the pressure of the money-lender for payment of interest and principal too. But generally, even if there is something to spare, the produce is sold to the village money-lender.

79. Would a pooling of produce in a village, tehsil or district be feasible?—This pooling is good enough in cases where there are big landlords. Here a man lives from hand to mouth. His income is just sufficient to cover his expenses.

80. Would you like it if all the produce that you say the money-lender takes were pooled, say in each sub-division of the district or a tehsil headquarters and sent to the market by some official or non-official agency?—I do not think it will work. For example, if there is an official agency, that agency will create complications.

81. It would turn into a departmental show?—Yes. You would get the same thing as the capitalist trying to take advantage of the peasant proprietor.

82. After all the storing of produce, marketing, etc., are some of the factors in agricultural development?—Yes, where agriculture is carried on on the lines of industry and business, not where it is a means of subsistence.

83. You say that the canal land here fetches a price of say, about Rs. 400 an acre?—Yes, on account of the land being situated at some distance from big towns. Generally it is Rs. 200 to Rs. 250 per half acre.

84. You say in your written evidence "No doubt this restricted scope of raising money does affect the capacity of the agriculturist to borrow capital, but considering that it is always to the interest of the country as a whole and to the well-being of the community that the agricultural communities should remain in possession of the land, I am not prepared to recommend any modification of the existing law".

85. Does it really affect the borrowing capacity of the debtor? I am quite clear about what you mean. Have you any reason to suspect that ever since the Land Alienation Act came into force in this province any appreciable reduction in moneylending business has taken place?—No. It is still going on, but as I say, so far as the money-lender can trust to the produce for the satisfaction of his loan, money-lender's business goes on, but the moment the need of the debtor goes beyond that and he has to approach an agriculturist money-lender this question comes in.

86. At the outset you recommend that Government should provide the capital, most of it?—Yes. The next witness, the Assistant Registrar of Co-operative Societies, used to say that the majority of the people are small peasant proprietors who have not got capital, considering their indebtedness, to spare. He said that if the Government were to give a helping hand—and there are certain sums which are in the control of the courts, for example, minors' money which is now deposited in banks—and if this money is deposited in the co-operative banks just to give them a start . . . . .

87. Court of wards money?—Yes.

88. *Nawab Major Mohd. Akbar Khan*: The court of wards deals with large landowners?—You don't actually make that suggestion.

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89. *Chairman*: What I understand Khan Sahib to say is this that the middle-class zamindars should be more intimately associated with these banks. He would not exclude the money-lender of the other class?—I have pointed out that the shares of these banks should be thrown open to the public but the directorate should be such that it should be in sympathy with the small peasant-proprietors.

90. There is an idea that Government's investing in co-operative banks is really inconsistent with the idea of co-operation. You say Government should invest?—To a certain extent, not altogether. For example the Government deposits money in the Imperial Bank. Some money can also be deposited in these banks just to give them a start.

91. You would not accept Government as a shareholder?—Well, about taking shares, the Government might take the balance of shares left unsold but not hold on permanently. When the thing is developed and becomes more popular, they can sell their shares. It is all on account of the fact that at present we have to find capital for starting them. This is a temporary measure.

92. How would you guarantee Government against loss if they invested money in these banks?—I do not anticipate much loss.

93. You say under the Land Alienation Act, the zamindars have special concessions. What sort of security would be available for the Government?—A temporary alienation of the land.

94. Produce?—Land means produce. A temporary alienation of the land can be effected up to 20 years.

95. With possession remaining vested in the borrowers?—Yes.

96. *Prof. Chahiani*: Khan Bahadur Sahib, before I examine you on your detailed answers, I would like to have your general view on some of the fundamental points relating to the extension of banking facilities in this Province. One of these is to determine the capacity of the rural classes to save, because banking can only be built up by mobilising savings. Do you think the majority of the agricultural population in this province have the capacity to save?—They will have the capacity to save if instead of 3 per cent. per mensem interest being charged the rate were reduced to 1 per cent., or to 10 annas or 12 annas per cent.

97. Assuming that the rate is reduced to 6 per cent. per annum, what percentage of the agriculturists will be able to save?—Taking the case of an ordinary village, half of the proprietors, if they are financed on easy terms, will be able to save.

98. What do you think would be the size of an economic holding of irrigated land in this Province, say, for a family of 5 members?—In Canal irrigated area I will put it at 20 acres.

99. Are you aware that nearly 80 per cent. of the agriculturists have not got 20 acres irrigated land?—No, I think it is so in tracts like Charsadda. Here they might not be possessing so much, but in tracts like Charsadda and Mardan, where the proprietors own large areas of waste land and have brought them under cultivation, each proprietor has a very good holding.

100. What about unirrigated land?—It depends upon circumstances. For example, if you go to Dera Ismail Khan, people who possess, say, about 200 acres, are considered to be very poor zamindars. Their lands do not produce anything—at most once in 2 years you get the produce.

101. I have got here recent figures, of proprietary holdings for the Peshawar Tehsil. I notice the total holdings are 31,827. Out of these as many as 19,805 are below 3 acres, 4,968 are between 3 acres and 5 acres, 3,409 between 5 and 10, and 2,074 between 10 and 20. Totalling up together roughly it comes to about 30,200 holdings out of a total of 31,800 holdings. So it is clear on your standard that a substantial majority of the persons owning land are not in a position to make a living even if the rate of interest was reasonable?—I do not know whether my calculation is correct or not. I just gave you a rough figure.

102. I am only taking rough figures?—In my opinion, if you take the case of one village, you will find that about half of them have got enough holdings.

103. I gave you figures for the whole of Peshawar Tehsil?—I would then modify my estimate, because I am not an agriculturist.

104. How many times do you get a bad year, say, in five years?—I do not know much about agriculture.

105. *Nawab Major Mohd. Akbar Khan*: Once in three years?—I have got land in my district in the Punjab. They complained year before last that wheat crop failed, and last year that cotton crop failed.

106. How do the agriculturists invest their savings?—The majority have no savings.

107. I am talking of the persons who can and do save. Are you aware that in some cases, the agriculturist is buying land at a price which will not give him a fair return even at the rate of 5 per cent. on his investment?—He has to buy because of the necessity. If one brother sells his land the other brother is bound to pre-empt it even if he has to sell his own property in getting that land.

108. In certain areas, are you aware that even 5 per cent. net return on capital is not possible, considering that the price of land is out of all proportion to its yield, for instance in some parts of this District. The value is as high as Rs. 1,000?—I cannot tell you. I remember in a case we worked out the percentage of lease money and fixed it at 9 per cent.

109. *Prof. Chabiani*: I am simply asking you if the agriculturists who can save are not purchasing land at a price which makes it an unprofitable investment?—Yes, it is.

110. What percentage of people, who can save, invest their money in this way?—In the first place, there are very few, but those who have got the money are always on the lookout for some land.

111. How would you stop that?—If the needs of the peasant-proprietors are removed, there will be necessarily no selling and therefore no buying.

112. But there will always be some sellers who will sell at a good price?—You can't ignore one factor; there is a Pathan proverb "It is better to sell a wife than land". The Pathan will stick to the land. After all India is an agricultural country.

113. But is not that sentiment being undermined by the economic stress? By sticking to the land does not the agriculturist get sometimes one-third of what he will be able to obtain if he invested his money in banks —If the whole aspect of the political life of India is changed it would be different.

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114. Don't you think if an attractive return were offered to him on investment in a bank or in government securities he would cease to invest his savings in land when it is a less profitable investment?—He always takes a pride in being a landlord.

115. Let me pass on to another fundamental issue. Do you think that what the agriculturist needs at the present moment is restriction of credit or extension of credit facilities?—After all you cannot stop the need of the people.

116. Your written answers seem to raise a presumption that by far the greater amount of borrowing is ordinarily on objects which do not conduce to his welfare?—So far as Peshawar district is concerned.

117. So that in such a case it is more a restriction of credit than an extension of credit facilities that is needed?—Restriction in this way that the source from which money is now drawn will be stopped.

118. That would be awful if the need remains there and the only source of satisfaction is dried up?—That is why I have suggested *zamindara* banks. If you start *zamindara* banks, loans will be only for agricultural purposes—for the legitimate needs of the family. On the other hand there is legislation that in no case land is to be pledged for any other purpose.

119. I will now take you to your reply to Question 1. You have given us an interesting para. on the rates of interest. Are these rates, rates for secured loans or unsecured loans? To start with, this is the rate of interest generally. When the loan is secured by the pledge of land, and the lease money fixed, this too is generally fixed at the same rate.

120. I am talking of the time when there was no Land Alienation Act to evade?—I have given you the history of how the loan starts. In the beginning it is unsecured. When it swells up and is secured by the mortgage of land, there too the mortgage is accompanied always by a lease deed. In the lease deed the rate is fixed which is practically equivalent to the rate which was agreed to be paid when the loan was unsecured.

121. Supposing one landowner mortgages his land to another, would there be any difference in the rate or not?—To start with, there might be; but I have never come across a mortgage in which the rate of interest is below 2 per cent. per month.

122. Against ornaments?—I seldom came across an agriculturist possessing ornaments to pledge.

123. Not even a big *Khan*?—The big *Khan* would not pledge his ornaments simply for the sake of "badnami".

124. Are these actually realised rates of interest or rates which are merely nominally agreed upon?—They are realised in this way that decrees are obtained and every thing that is attachable is attached, auctioned and sold.

125. As a judicial officer in how many cases have you awarded 24 per cent.?—In no case have I got option to reduce it in the case of an agriculturist or a tenant, unless and until it is proved that the will of the debtor was dominated.

126. But the lower courts do interfere with the rate of interest in the bonds and go behind the written deed?—If they bring the case within the purview of the Usurious Loans Act or within the scope of Section 16 of the Contract Act; that is to say, where you find distinctly that the creditor occupied the position in which he could dominate the will of the debtor and could dictate his terms.



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115. Let me pass on to another fundamental issue. Do you think that what the agriculturist needs at the present moment is restriction of credit or extension of credit facilities?—After all you cannot stop the need of the people.

116. Your written answers seem to raise a presumption that by far the greater amount of borrowing is ordinarily on objects which do not conduce to his welfare?—So far as Peshawar district is concerned.

117. So that in such a case it is more a restriction of credit than an extension of credit facilities that is needed?—Restriction in this way that the source from which money is now drawn will be stopped.

118. That would be awful if the need remains there and the only source of satisfaction is dried up?—That is why I have suggested *zamindara* banks. If you start *zamindara* banks, loans will be only for agricultural purposes—for the legitimate needs of the family. On the other hand there is legislation that in no case land is to be pledged for any other purpose.

119. I will now take you to your reply to Question 1. You have given us an interesting para. on the rates of interest. Are these rates, rates for secured loans or unsecured loans? To start with, this is the rate of interest generally. When the loan is secured by the pledge of land, and the lease money fixed, this too is generally fixed at the same rate.

120. I am talking of the time when there was no Land Alienation Act to evade?—I have given you the history of how the loan starts. In the beginning it is unsecured. When it swells up and is secured by the mortgage of land, there too the mortgage is accompanied always by a lease deed. In the lease deed the rate is fixed which is practically equivalent to the rate which was agreed to be paid when the loan was unsecured.

121. Supposing one landowner mortgages his land to another, would there be any difference in the rate or not?—To start with, there might be; but I have never come across a mortgage in which the rate of interest is below 2 per cent. per month.

122. Against ornaments?—I seldom came across an agriculturist possessing ornaments to pledge.

123. Not even a big *Khan*?—The big *Khan* would not pledge his ornaments simply for the sake of "badnami".

124. Are these actually realised rates of interest or rates which are merely nominally agreed upon?—They are realised in this way that decrees are obtained and every thing that is attachable is attached, auctioned and sold.

125. As a judicial officer in how many cases have you awarded 24 per cent.?—In no case have I got option to reduce it in the case of an agriculturist or a tenant, unless and until it is proved that the will of the debtor was dominated.

126. But the lower courts do interfere with the rate of interest in the bonds and go behind the written deed?—If they bring the case within the purview of the Usurious Loans Act or within the scope of Section 16 of the Contract Act; that is to say, where you find distinctly that the creditor occupied the position in which he could dominate the will of the debtor and could dictate his terms.

127. Could you favour us with a specific case in which 24 per cent. was awarded by the court?—You could find out many cases in which even 36 per cent. was awarded.\* As I said before, according to the rulings of the Privy Council a court has got no option to reduce the rate of interest until and unless the agriculturist brings himself within the purview of the Contract Act, saying that he was so helpless that his will was being dominated and he was obliged to agree to any rate demanded.

128. Is not the Usurious Loans Act applied in the law courts?—The Usurious Loans Act after all involves some trouble. You have to re-open the whole course of dealings and go back to the bottom of the transaction for 6 to 9 years, and that means going through accounts, and overhauling of accounts, and in many cases accounts are not forthcoming, and there are all sorts of troubles, and there are very few counsels who are sympathetic towards the litigants. When the case comes up on appeal, what can the counsel do? The Judge will say that as you did not raise this point in the pleas, you cannot go into it at this stage.

129. Am I to understand that pleaders in the lower courts do not do their duty?—No. I mean to say that many of the litigants cannot afford to engage counsel and many of the cases go un-represented.

130. What about the rate of interest charged by the agriculturist money lender? Is it the same?—The agriculturist money-lender is, I think, just the twin brother. His rate is about the same.

131. You mean by twin brother that his rate of interest is just the same as that of the *bania* money-lender?—His rate of interest includes many other things as well. It might include personal service as well.

132. His own or of his family?—It includes personal service rendered by the debtor himself as well as by his family. It all depends upon the circumstances of the debtor.

133. There is one difficulty in accepting the statement that you have made to us. It means that the maximum period in which the money would double itself is 4 years, and that 3 years would be the ordinary period for money to double itself. The mortgage debt therefore due to the non-agriculturist should double itself in every three or four years?—Ordinarily money doubles itself by compound interest in five years; that is not a new thing.

134. After every three years at this particular rate it will continue to double itself?—Yes, it does.

135. The figures that we have got in the official publications for the mortgage loans advanced by the non-agriculturists to the agriculturists do not show any thing of that sort?—Are you sure that the official returns are based on correct figures?

136. I assume there is a margin of error in all kinds of such calculations, but they are approximately correct within the usual limits of error?—Your returns are based on revenue papers. In these papers in the first place many of the mortgages do not find their place. As I have pointed out, the intention is never, so far as the money lender is concerned, to take possession and consequently many of the mortgages remain un-enforced so far as the revenue papers are concerned. In the second place you will find that the mortgagee has tried to get something out of the mortgagor by way of produce, by sharing produce, by attaching produce, or by going to the threshing floor and getting something. So he is, so far as interest is concerned, trying to get

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\*Two cases were pointed out in which decrees in full were passed but no execution had been taken out.

something out of the mortgage. If you were to allow accumulation of interest, in ten years it would be the full amount of the interest value of the land.

137. But the revenue records do not show any such increase in mortgages and mortgage debt. In this case then, the mortgage debt was a mortgage in 1920, and according to the rate of interest that mortgage should double itself in 1925 or 1926, but then would it be possible if on that mortgage debt during the period it has not doubled but been recovered: but something is always recovered. If it were the revenue papers are concerned in this, presumably the mortgage debt would not be shown to have been doubled.

138. Well, since according to your every three years ordinary accounts are settled and interest added to the principal and a new deed executed, the mortgaged area and mortgage debt must grow up rapidly every three years; but as a matter of fact what we find in Peshawar Tehsil is a heavy decline in the rural area mortgage mortgages as well as in Peshawar for the mortgage. But you agriculturists as well as non-agriculturists say in 1925 that they think it is correct. I quite see your point that this is shown in the revenue papers from which these figures have been compiled. But I would certainly say that the revenue papers are not correct.

139. If that is so, the number of people who are money-lenders and bankers pay income tax should rapidly increase every three or four years unless the Department of Income Tax is doing something, but I understand that in 1921 in the whole of the Peshawar District were only 4,309 persons classified as bankers and money-lenders (including their employees) which means at most only 800 families. But of these 800 families only 115 persons in rural areas were assessed to income tax in 1925!—That would be misleading for the simple reason that those money-lenders who are paying income tax here in rural areas and who have only recently migrated have still got their operations going on in the rural areas. They are, however, based only in Peshawar and Mardan as residents of urban areas. They are not treated as residents of rural areas, but their operations are still in rural areas.

140. Including even urban areas the total income tax paid in 1925 was only 15,900 (rural) plus 55,500 (urban), and the total number of people rural, as well as urban, paying income tax was only 17,100. Assuming that those who do not pay income tax have an average income of Rs. 1,000, the total assessed income does not exceed 1.5 lakhs. If the money-lender has been getting interest at the rate of 10 per cent, surely we ought to find a rapid increase in the income of this class. The increase has been rapid, but still the Department of Income Tax is in its infancy. For example before this Department of Income Tax was separated, you will find that there was only a nominal income tax here in this Province. Since this Department has been started, they are tapping every soul and by and by you will find every body coming into their clutches.

141. But I see a decline in the number of income tax assesses in 1925, particularly in rural areas. The income tax has decreased heavily since 1921 especially the amount paid by money-lenders and bankers. That would mean that the mortgage money and the interest thereon has not increased as rapidly as you seem to suggest!—There is one thing. Do you think that a mortgagee of land pays income tax on the return of his mortgage?

142. Of course he must if he is not a land owner! If he figures as a mortgagee in possession, the figures relating to mortgages should give an indication. If he does not, his earnings as interest must figure in

the income tax returns?—He may not be a land owner, but if he is a mortgagee, he does not; he is not liable to income tax if he gets agricultural income. As I have pointed out, all these mortgages are nominally possessory mortgages.

143. I pass on to your next portion of the evidence which deals with the Punjab Land Alienation Act. I think your whole object is to protect the peasant proprietor class against the agriculturist and non-agriculturist money-lenders. Do you think it would be met by something like a Homestead Law, that is a law that prevents the alienation of land below an economic holding in all circumstances, whether an agriculturist or a non-agriculturist is the owner or farmer?—I have not got much information about this, but as you have yourself pointed out, the majority of the people are just owning an economic holding. Every law that is made is made to meet the case of the majority of the community and not the community as a whole, and where the majority of the community has got just enough of the holding to live upon, you can only make a law making the land inalienable.

144. What I wanted to ask was whether something of that kind of law was required to protect the small peasant proprietor against both the agriculturist money-lender and the non-agriculturist money-lender, which the present law of land alienation does not?—That might be an ideal state of affairs. You might have seen that in the debates of the Council in 1900 when this Land Alienation Act was introduced (it was in the Punjab Council) it was definitely stated that the Government had undertaken this legislation simply because the peasant proprietors were being expropriated and that the strength of the Punjab depended upon the peasant proprietor. As a matter of fact everywhere you have got some such law to protect the peasantry; for instance you have got the Deccan Agriculturists Relief Act, Bundelkhand Restrictions on Land Alienation Act. Similarly the Central Provinces have got something of that kind.

145. Are there good many agriculturists possessing holdings above the standard of an economic holding?—They are so few that it is not necessary to have any special law for them.

146. But those who have got just less than the economic holding should be protected or should they not?—But you have to take this fact into consideration that today that holding may be more than an economic holding; tomorrow when it descends to so many persons, if you do not protect them will that meet the situation? If a man has got now an economic holding twice the size of the holding which you make a standard and you do not protect it, he may sell half of it, but when he dies and is succeeded by two sons, their holding will be further reduced to half.

147. Every law relates to the present circumstances. Posterity is free to change it if circumstances change?—But the law should protect the devolution of land to such an extent that it does not weaken the community.

148. Would you suggest a maximum beyond which a man should not own?—I am talking of a maximum limit on the top, and wish to know whether a measure of that sort would not remove the difficulty which you experience from the big agriculturist land grabber?—I do not think one of your colleagues would like the idea.

149. I now take your observations on the *takavi* system in answer to Question 13. Do you consider that all the legal or illegal charges that a man might have to pay, if worked out, are more than the rate of interest?—I have never calculated that, but if, as you suggest,

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taking the legal or illegal charges, if any, into consideration, perhaps they would work out to more than that. Even apart from the legal or illegal charges, supposing a man has to get Rs. 50, he will have to spend Rs. 7 to Rs. 10 on his food, etc., at the Tehsil headquarters before he gets Rs. 50, and after six months he will have to pay this Rs. 50. What would it be worth to him?

150. Regarding money-lenders' account bill that you have in view, do you think the majority of the *bania* money-lenders are sufficiently educated to keep accounts in a systematic fashion?—They always say that they have got rough accounts. I am talking of rural money-lenders.

151. What establishment does a *bania* money-lender in the village ordinarily keep?—He himself, his sons and possibly his brother; they all know accounts. You will find that in the majority of cases that are brought in this Province rough accounts are produced in which simply the balance is struck. If you insist on his keeping accounts, he can easily do so. And what after all are the regular accounts? There must be a ledger, a cash book and a day book. Where you want fair dealings between man and man without the one overreaching the other, I think something of the kind will have to be done.

152. Would you apply this principle to men who do occasional money-lending?—Money-lender as a class is well defined.

153. But there are certain traders who do a bit of money-lending along with their business?—In the village economic conditions you will find that there are certain persons who are well defined and who carry on their trade. One is the money-lender who is a shopkeeper, as well as the money-lender. There may be a village of five or six hundred persons, where you will find only one person who carries on his shop and money-lending.

154. What do you think are the rates of interest in the city of Peshawar for loans against the same kind of security as the agriculturists as a class can offer?—In the city I have never come across a rate exceeding, say, 18 per cent. per annum.

155. Considering the facilities of recovery from the non-agriculturist of the city, what do you think is the fair rate of interest for loans to agriculturists?—In my opinion the fair rate is to be looked upon from two points only. One is the interest of the capitalist and the other is the interest of the agriculturist community. From the point of view of the interest of the capitalist anything is fair which he can recover.

156. Is there nothing like a fair market rate?—Nothing is unfair which is not penalised.

157. Do you think there is no regular fair rate for a capitalist?—Anything he can recover is fair for him.

158. As compared to the rates in urban areas, the market for capital being what it is, what rates in rural areas would be equivalent to the urban rate?—18 per cent. that I have given to you is the rate in exceptional cases in urban areas.

159. I am talking of the maximum which the law courts should allow?—The maximum for agricultural areas should not exceed 18 per cent. in any case. We have got the Land Alienation Act. After all every man safeguards his interests. He advances just as much money as would be easily recoverable in this way.

160. I am asking you to look at the market conditions; market conditions do make a difference in rates when there is a difference in

security. Is there not a substantial difference in the borrower's security available to the village *bania* as compared to what an urban money-lender has got?—I do not find much difference. For example, take the case of an urban debtor. At the most he has got a house which he can give them in security, or when you have obtained a decree, you attach it and get it auctioned; but the debtor gives him a dance. First of all you get the house attached. When the house is to be sold hundreds of objections are filed, and thus he gives him years and years of litigation. In the end he finds that the security is not more amenable than the security of an agriculturist.

161. I am not concerned with the question whether a difference should or should not be made by a lender. I am dealing with the question of facts. Would the town *shroff* in Peshawar not make a substantial difference in rates when he lends to urban people and when he lends to the village agriculturist? I take the case of a money-lender who has got regular accounts, would he or would he not make a substantial difference in the rate of interest on account of the security available to him in the city?—He may, but the *shroff* seldom gives money to an agriculturist, he can employ his money in better ways than advancing to an agriculturist.

162. I am simply saying that in lending money at 18 per cent. to a city man with house property and giving money to a village agriculturist with land as security, would not the *shroff* make a substantial difference in the rate of interest?—Yes, he might.

163. You say in answer to question 17 that there are no marketing centres in this Province? Are there no *mandis*?—There are *mandis*.

164. Probably what you meant was that marketing was done through the *bania* in all cases?—Not in all cases, in most cases. In Charsadda a few people who are not regular *banias*, have started *mandis*, but most of this business is in the hands of the money-lenders.

165. If we were to visit a *mandi*, say in Mardan, shall we find agriculturists coming there in appreciable number to sell their produce?—You will find some in Charsadda; I do not know about Mardan. In Charsadda the system has now started that people who have got sugarcane fields, make *gur* and bring it to the *mandi* and sell it through the man who carries on this trade in *mandi*, and pays him commission. It is a practice which has just started.

166. Regarding long period loans (Questions 25 and 26), you seem to suggest that all loans are for long periods?—So far as the system at present is concerned.

167. Are there no loans for current purposes, say, for seed, etc.?—Money-lender does not generally advance loan for these purposes; in very few cases he advances for current needs.

168. Do you mean to say that in these cases at the time of the harvest the whole debt is repaid?—Sometimes it is repaid.

169. Is the money-lender the one person who advances loan for such purposes?—I would not commit myself in this connection. I do not live in a village; I do not know much about it.

170. You also seem to suggest that no long term loans are needed?—I took it in the sense of money which is invested in permanent improvements of the land and is paid out of its yield. In the case of a small peasant-proprietor this is hardly needed in Peshawar District.

171. You say in reply to Question 25 that "this is particularly the case with Peshawar District where majority of holdings are small and there

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is no large room for improvement left at least under present conditions". By no conceivable credit facilities could the productivity of land then be increased?—I do not think Peshawar has got much capacity for productivity.

172. The position appears to be rather hopeless if the condition of the peasant proprietor cannot be improved by affording credit facilities for improvement?—You will have to change the methods of agriculture.

173. We are talking of what credit facilities could stimulate this?—You could turn dust into gold if you like. It all depends upon the money you spend. The land is capable of producing more if you improve the manure and the implements of agriculture scientifically. But as the conditions at present are, there is not much room for improvement.

174. Please turn to Question 30; you say in reply that "in the interests of landlords *zamindars* banks are urgently required with a constitution more sympathetic than the one which prevails in the Punjab". Can they do so in the face of the Land Alienation Act, even if they so wish?—They can, on the lines on which the Land Alienation Act is drafted.

175. It means taking the security of leases for 20 years and then giving the land on lease?—Yes. But even before the Land Alienation Act banks never extended their operations to rural areas.

176. Regarding these mortgage banks, the ordinary methods by which these mortgage banks finance themselves are by means of debentures and in an open market the value of debentures depends upon the possibility of selling land in the last resort. Is there or is there not a material obstacle to raising money by means of debentures in this Province?—I could not tell you. I think these debentures should prove very useful if they were taken up by agriculturists.

177. But it cannot be because as you say the savings are very small?—Yes, this is the difficulty.

178. In that case naturally you do not expect appreciable deposits and therefore the money can only be raised either from Government or by means of debentures, and in both cases we must have good security behind, so that the Government should not lose their money and the mortgage bank should be able to sell out the land and pay out the debenture holders in case of a crisis?—If the mortgage banks are to raise money on these debentures alone and the debentures are to be a marketable security, then I do not see any need for such a bank in the case of a proprietary province like this.

179. *Nawab Major Mohd. Akbar Khan*: Well Khan Bahadur Sahib, do you know anything about the history of Yusafzais and Charsadda because you were describing that some people came and got hold of large holding while the land was lying waste. I have heard that theory very often, and I want to know if you have got any historical proof for it that people became big land owners in that way?—That is what the Gazetteer of Peshawar says.

180. Do you know anything of the history of Charsadda and Yusafzai? May I tell you for your information that the Gazetteer of Peshawar cannot be credited with being what might be called history. It only gives us very limited information about the position of the present inhabitants. The real history of the place can be known by reading Arsen's India which deals with the times of Alexander the Great: *Tabakat-i-Nasri* giving the history of Afghans during the 11th Century: *Tazkarat-ul-Abrar* and *Asrar* written by Akhund Darwaiza at the end of the 15th Century: *Niamatullah's Makhzan-i-Afghani* compiled during the reign of Emperor Jehangir: Bellow's Journal of



the 1st Afghan Misson and Bellow's General Report on the Yusafzaies. According to these books the present lands in the Yusafzai and Charsadda as well as those surrounding the Bara river were never waste lands but were always considered to be of some value. Those people, who have made history as their hobby, have given the result of their researches and these results are embodied in the history of Peshawar; in that we find that the present Pathan population migrated to this part of the country from Kandhar side and elbowed out the Dalazaks who were the original proprietors, and the leader got the major portion of it. Do you mean to say that Charsadda or Yusafzai were waste lands?—The whole of it was not a waste land.

181. Then you do not call them waste land?—If it is not shutting the eye to the patent facts, it was only in 1889, I think, that the canals were constructed. Before 1889, take the case of Charsadda, it was only Sholgara portion which was under cultivation, and the vast area of land in which you now find fertile fields was lying waste.

182. But they were cultivated whenever there was rainfall?—They were cultivated at the time of rain, but they were considered to be waste. But the rest of it was really lying waste.

183. You do not deny the fact that these lands were not absolutely waste lands; but do you suggest that anybody gave away his land to the present landiord or to the descendants of the old landowner who are now in the enjoyment of these estates, but I certainly strongly protest at your suggestion that these lands were given to them as if they were beggars. They got these lands by shedding their blood, the major portion being taken by the leaders as a reward of their leadership; and their descendants are the present Khawanins.

184. *Chairman*: Nawab Sahib, Khan Bahadur Sahib did not mean that.

185. *Witness*: I never meant that.

186. *Nawab Major Mohd. Akbar Khan*: You said that whenever land passes from a small peasant into the hands of a big landowner, the quality of the land is not improved. What do you mean by that? Do you mean to say that the big landlord is not wise enough to see that, when he buys this land, he should improve the quality of the land?—I hope we will not follow what Bacon says in his essay about a man who went on asking but would not stay for answer. What I say is that if a man has got a small holding as his own property, he naturally pays greater attention to it than the big land owner; he would carry on cultivation much more satisfactorily than the man who owns thousands and thousands of acres and who cannot devote his personal attention and personal labour to each and every inch of it. But the moment the peasant proprietor ceases to be the owner of the land and becomes a tenant, naturally he loses his attachment to the land and his work would not be as interesting as it used to be when he was the proprietor.

187. Do you know how many tenants there are in Charsadda? I may tell you that the major portion of Charsadda to-day is cultivated by Mohmands and Afridis, and so is the case in Yusafzai country. I may inform you that the big land owners have tried their level best to get good tenants. If small land owners of their own class were to become the tenants, will they resent and eject them? We are trying our level best and have spent a lot of money in order to persuade them to settle on the land. Supposing a big landlord was to get hold of the property of a small peasant, will he eject him?—Of course you will not allow him to remain on the land, I am sure.

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188. In this connection I would appeal to Khan Bahadur Saadullah Khan who is present in the Hall at this moment. Will he not go and pay him something in order to persuade him to settle down on his property?

189. *Chairman*: Nawab Sahib. Khan Sahib does not mean any personal attack.

190. *Witness*: You must have been trying to find tenants for lands. I don't mean you personally. I have spoken about the land of the peasant proprietor which you have acquired. Naturally you will try to elbow him out so that he may lose all connection with the land.

191. *Nawab Major Mohd. Akbar Khan*: On the other hand, we will try our best to keep him so as to get better results?—Opinions differ. The proprietor who acquires the land of another proprietor would not like the original proprietor to remain on the land.

192. And actually the man who owns the land would be a better cultivator than an outsider, if he is given sufficient capital without any interest, as *takavi* for implements and cattle?—You would be jolly glad to have your land cultivated by a Mohmand or Afridi or a Gujjar than by a person who belongs to your community. I am talking about the average Pathan mentality.

193. To-day we are trying our level best to get the Yusafzai country for the Yusafzais, but I cannot get hold of Yusafzais?—All I can say is that it is most creditable to you; but this is not the case all over. My opinion is based upon what comes into court and we have seen cases in which these people have been elbowed out.

194. That is your experience, but the experience of the landowner whom you are representing or misrepresenting, was often not the same. You said that you would like to legislate for the Pathan that he should not go into heavy indebtedness on account of marriages or such other things. May I put this question; whether a Pathan proprietor would like your interference if his wedding is going on, supposing you were to legislate for him that he was to spend so much on his marriage?—Did the Pathans like the introduction of the Land Alienation Act?

195. The Pathan mentality is very much against interference in his private family affairs. He contracts wedding and Khan Bahadur Sahib wants to legislate for him that he shall do it within a certain amount?—You have already interfered with his free will by introducing the Land Alienation Act. I say, don't do things by halves. If you are going to do a thing, do it in right earnest.

196. *Chairman*: By educating public opinion . . . .

197. *Nawab Major Mohd. Akbar Khan*: Supposing you place a limit of Rs. 100 or so within which a Pathan should spend on his wedding, will that sort of legislation be agreeable?—I think it will be.

198. You point out that the blood sucker *bania* is not the only blood sucker, but the *zamindar* money-lender is a greater curse than the *bania*? Can you tell me what is the percentage of the *zamindar* money-lenders to that of the *bania* money-lenders?—I said, he is replacing him now.

199. Can you tell me what is the percentage of the *zamindar* money-lender?—I am sorry I am not in charge of these statistics and I cannot give you the exact figure.

200. Why should every magnate be made the target? Is it because his political views are a bit different from yours?—We are not talking about political views, I am talking of the institutions.

201. I wanted to point out that every magnate is not a money-lender. May I ask you whether these big land owners, are of the same class as the rest of the villagers, or do they come from a special class?—They generally belong to the same type.

202. Do they have inter-marriages and do they attend funeral ceremonies as a class with other people? Are they just ordinary human beings?—Yes, I have never alleged that they were extraordinary.

203. May I ask why they should be such tyrants as to charge, when lending out money, rates which are more extortionate than those of the *banias*?—There is one thing perhaps which you lose sight of. You know that interest is forbidden according to Shariyat, but whenever a Mussalman starts taking interest he is a worse Shylock than the *bania*, it is just the same thing.

204. My point is this that you do not know anything about villages. You say that here the *zamindar* money-lenders are worse than the *bania* money-lenders; I say it is not the case?—I have given my own views.

205. Can you give me statistics where the *zamindar* money-lender has charged more than 12 per cent.?—Just take out the records of some of the decided cases and you will find that they have been charging more than the *bania* money-lenders.

206. Can you cite any case in which a *zamindar* land-owner has charged more than 12 per cent.?—I will certainly try to find out.

207. Would you be in a position to enumerate the *zamindar* money-lenders? Will you be able to furnish a list to this Committee?—I cannot undertake that.

208. Khan Bahadur Sahib, generally expenses are incurred on litigation. Would you not like to fix the fees of the lawyers?—I thought you were going to say "have the courts abolished".

209. *Nawab Sir Sahibzada Abdul Qaiyum*: For is it not a fact that more than 3/4ths of the Pathan land-owner's income is consumed by the lawyers and as a Judicial Commissioner don't you think that there should be some legislation for this every day increasing evil?

210. *Nawab Major Mohammed Akbar Khan*: The question is if the fee is fixed . . . ?—Why not cut the Gordian knot by abolishing all courts, all law.

211. It is not within my power?—This is also not in your power.

212. *L. Bal Kishan*: You have recommended *zamindara* banks. You know that each co-operative bank is an independent institution. They are not the branches of central institutions. The central institution only helps them financially according to requirements?—The co-operative bank should be an independent entity. It should create its own funds.

213. I hope you are aware that "co-operative credit" is controlled credit?—Yes, it is controlled credit carried on under the supervision of the Government.

214. Government is only concerned with audit. The principle of co-operation is the management of the societies by the people themselves?—Yes.

215. By controlled credit the economic condition of the people will improve because they will not waste money on extravagant purposes. Therefore you had controlled credit in your mind when you said that the co-operative bank was best for the people?—Yes.

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216. You were saying something about receiving of Government money in these co-operative societies just in the way of deposits, for them?—For loans and advances some capital is necessary for these banks.

217. You mean the share capital?—No.

218. These Government advances you recommend only for the central institution and not for the primary co-operative credit societies?—Only to the central institution and the central institution may prescribe limits for each society.

219. So you will take, as a preliminary measure, a loan from the Government so long as the co-operative central bank does not create confidence in the investing people?—Yes.

220. *Nawab Sir Sahibzada Abdul Qaiyum*: I have not got very much to ask you because you have been so much worried by others that you must be feeling tired?—Thank you for your sympathy. I am at your service.

221. Well, can you give us an idea of how much of the village zamindars' income is spent on litigation, how much of it goes towards the payment of land revenue and other cesses, how much of it is spent on his social functions, such as marriages and other ceremonies, and how much of it goes to his actual expenses of living. I want just an idea of it, say, one-fourth, or one third on this or that and so on?—It is rather too big a question. As I have already said, I have never lived in villages and I don't know their actual life. But from the cases which generally come into court, when we go to the root of the thing, the loan starts in the way I have described.

222. Now regarding land changing hands by transfer from one class to another class, you know that land is not flexible and does not expand. Then do you think that it can give subsistence to the growing rural population for ever, even if you were to continue with this legislation to protect the rights of the peasant proprietors?—Perhaps the learned Professor of Economics will tell us that the Malthus' law of population works. The tendency of modern civilisation no doubt is peace, prosperity and disarmament. This no doubt will bring about this result, though at one time the land will be reduced to the breaking limit.

223. We have not got the history of the past before us. But we see that population is steadily increasing. Even plague, cholera, etc., has not had very great effect on the increase of population. If this is the case, can you suggest any remedy for the relief of the surplus population in the rural villages?—Surplus population will have to move to a place where there is a demand. I cannot give a remedy.

224. What do you think of the idea of the smaller peasant selling his holding, taking the money and investing it somewhere else and leaving the land?—As I have said, from the peasants' point of view that is the thing one would expect. But I have said, the Pathan holds tenaciously to his land. Until and unless he is practically driven out of his holding, he would not sell it.

225. I have got your point. But it may lead to something else. That is, the smaller person may leave the village, the bigger person may get hold of the land, and gradually become a great landlord, but then his descendants may fall on evil days, and the land may go to other members of the family, and may not vest in one person. You know that at the present day his people are not necessarily to be succeeded by similar able people. The land may be sold and may go to other members of the family?—There are cases which are known to you as well as to the learned gentlemen over here that the richer,

bigger Khans dissipate their property and are replaced by others in turn. Thus the circle goes on.

226. Do you think that a permanent settlement will improve the position of the land-owners like the permanent settlement of Bengal or something of the sort?—It may. It will give the *zamindar* a great amount of relief. Whether or not it is possible in the present circumstances, I cannot say.

227. We are only thinking of the possibility of the ways and means of improving roads, means of communication, etc. Will you suggest a longer term for settlement than the present term of 20 or 30 years?—If this were to depend upon individual opinion, I would like to have the whole of the land revenue revised and assessed on a certain basis. Land revenue is based on a percentage of the net profit of the landlord. They say that the profit varies from time to time. If 20 years hence the profit increases why should it not go to the Government as well. If the profit has not increased, if the land is still fetching the same thing to a landlord 20 years hence there should not be any enhancement. There has to be revision in order to find out whether or not there has been increase in the profit. If there is an increase, according to the rules, the Government is entitled to a share but this periodical revision is no doubt an evil. Perhaps in the present circumstances it is a necessary evil. You find that in the Punjab they have now extended the period from 30 to 40 years.

228. Then you think that unless there are some cogent reasons in the shape of reclamation of land, opening of new canals and markets, etc., etc., no enhancement is to be made?—This is the theory on which the assessment policy is based. What actually is in practice, I am not in a position to say.

229. You will not perhaps like to give an opinion about the present enhancement of land revenue in this district?—Some people say that the enhancement is beyond the capacity of the land. I do not know.

230. That is, perhaps because the market is so dull that no new roads have been made and that no better means of communications and marketing are available and that unless these are improved, no enhancement will be considered justifiable?—Shall not be according to the rules.

231. One of our friends was inclined to think that high or low rates of interest on money advanced to the agriculturist was not a very great factor in determining the reasons of the poverty of the agriculturists. Do you think that this raising of money on high interest by the peasant proprietors is the chief cause of the poverty of the agriculturist?—Well, I think my answer to the question was anticipated in 1894 when the late Mr. Thorburn wrote his book "Money-lender in the Punjab". He showed that the chief cause of the breaking up of the backbone of the Punjab was this interest question and indebtedness. In 1894 when he first wrote the book he moved the Punjab Government. The Punjab Government simply laughed at the idea, but the agitation continued until in 1900 the Punjab Government were alarmed and forced to move in the matter.

232. Don't you think that the villager is a more honest customer?—As long as he can pay. If the thing goes beyond his capacity. . . .

233. His produce is harvested half yearly for payment?—You have got to take human nature. If he has got the harvest after full 6 months' labour and if it is just enough to maintain him, you cannot blame him if he avoids payment.

*Khan Bahadur Saaduddin Khan.*

234. *Mr. V. F. Gray:* The main object of your replies has been to show sympathy for the agriculturists in the matter of interest?—Yes. My anxiety is for the peasant proprietor and not for the man who has advanced money.

235. Would the peasant if he offers security get money at a reasonable rate?—He gets money by offering security, but what is causing anxiety is the rate of interest which is charged.

236. Is the rate excessive?—My friend has contradicted me but my experience in court shows that where the land is given in security, even there the rate of interest is just the same as if it was unsecured. Only there is a very small difference. According to the present law a secured man cannot sell the land. But you may have read in the papers that Mr. Justice Duleep Singh proved that if an agriculturist is declared insolvent, his land can be sold in insolvency. This has caused a great embarrassment and uneasiness among the agricultural communities, and there was a resolution put up before the Punjab Council asking for the revision of the law and some questions were put. But in the Council Chamber they were told that this question was about to come up before a Bench of the High Court. If the decision is satisfactory, well and good; otherwise this question should be considered. Excepting that case, so far as the land is concerned, the position of the secured and unsecured creditor is the same, because neither the secured nor the unsecured creditor can sell the land. Those creditors who got mortgages before the introduction of the Land Alienation Act, which had been given retrospective effect, are secured to this extent that they might claim possession of the land, but so far as the realisation of the security is concerned by means of the sale of mortgaged property there is no difference and the rate of interest is the same in both cases.

237. You say that all that is wanted to meet the proper needs of the agriculturist is some co-operative bank run on business principles?—I have explained later on that you have got security. For example, a man requires money for seed or for cattle. You advance money on the security of the produce of his land up to the extent of his property.

238. It can be advanced in kind?—Yes in kind, sometimes in cash. My friend was saying that in some cases where a man has committed murder, he requires cash. They do not advance more money than could be recovered if they brought a suit and got a decree, which would enable them to recover the money from the produce or the property.

239. You say a bank run on business principles in a district would be a sufficient help to lend only on the security of the produce of that particular field?—After all the legitimate wants are not much. That is why I propose the second remedy that there must be some check on the waywardness of the landlord. The alienation of the land should be stopped in certain respects.

240. And all money advanced for purposes like marriages would still be from the money-lender?—If there is a legislation under which land cannot be pledged, if even in spite of that the money-lender lends his money and if he is anxious to throw away his money, let him do so.

241. What other security can the bank get besides what the men who lend money for marriage expenses, etc., can already get?—Some regulations or rules should be framed that the repayment of the advances made by banks should be the first charge on the produce or some such thing.

242. Not otherwise. Would it be too risky?—That is a proposition which you have to consider. It seems to me that only in that way you can secure the advances.

243. You mentioned one other reason, that is, the banks could help in legitimate domestic needs?—Yes.

244. I am afraid they will be totally unsecured and the bank cannot act merely as a person who has sympathy with the borrower?—You advance money on his credit. The security is his credit.

245. There can be no credit if you do not know how much of his?—That is a difficulty, which apart from your present enquiry, is felt everywhere.

246. You mentioned that the Money-lenders' Bill should be introduced but that you wanted the old bill. In what way is the new bill objectionable?—The new bill does not contain the penalty.

247. The penalty is not severe enough now?—Absolutely nothing. The penalty should really act as a check on dishonest persons.

248. Both the *zamindar* money-lender and the *bania* money-lender. You know that when the new bill came out of the Select Committee it was unanimously agreed that the *zamindar* money-lender should be included in the bill?—I do not know.

*(The witness withdrew.)*

Monday, November 18th, 1929.

## PESHAWAR.

PRESENT :

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (*Chairman*).

The Hon'ble Nawab Major  
MOHAMMAD AKBAR KHAN,  
C.I.E., I.A., M.C.S., Khan of Hoti.  
Professor H. L. CHABLANI, M.A.

Lala BAL KISHAN.  
Mr. V. F. GRAY, M.L.C.  
Khan Bahadur Haji KARAM ELAHI  
SETHI (*Co-opted member*.)

Mr. V. S. MARBALLI (*Secretary*).

Nawab Sir Sahibzada Abdul Qaiyum, K.C.I.E., M.L.A., Member, Indian Central Banking Enquiry Committee and Mr. V. K. Aravamudha Ayangar, M.A., C.I.E., M.L.A., Secretary, Indian Central Banking Enquiry Committee were also present.

**Mr. W. ROBERTSON-BROWN, Agricultural Officer, North-West Frontier Province.**

Replies to the Questionnaire.

### A.—AGRICULTURAL INDEBTEDNESS.

249. 1. Although this Department intimately knows a very large number of the landholders and cultivators, and may have a shrewd idea of their financial state, it has no accurate estimate of the actual indebtedness of any village. A study of the official records, in collaboration with the landholders and *baniyas* should truly show the extent of indebtedness of a village. Stated in the order of importance, the major debts are chiefly incurred, it is believed,

- (1) to repay inherited debt,
- (2) for marriage and other social requirements, and
- (3) to meet cultivation charges, purchase of cattle, etc.

The majority of the landholders possess less than an economic holding. Very many are tenants at will on areas too small to provide a living. The percentage holding as much as 100 acres is extremely small. Hardly any holder of 50 acres himself farms even a portion of his land. It is given out from year to year at the will of the landholder. The tendency to lend to those who should not borrow might be discouraged by limiting the rate of interest recoverable in court. *Takavi* provides for those who need money for productive schemes. To relieve the landholder and cultivator from the ills of borrowing, the landholder must himself farm a reasonable area and pay cash wages. If he cannot make farming pay, the tenant giving from one-third to one-half the total produce as rent cannot do so.



250. 2. The rates of interest for the purposes mentioned in para. 1 are approximately as follows:—

- (1) to repay inherited debts, 12 per cent;
- (2) for marriage and other social requirements, 36 per cent;
- (3) to meet cultivation charges, 12 per cent;
- (4) for the purchase of cattle, etc., 18 per cent.

The *bania* resides in the village and having intimate knowledge of the financial state of every inhabitant uses his judgment in lending money. Who has little or no security must necessarily pay a high rate of interest. Not many of those now cultivating as tenants would continue in the business if they were sure of regular employment as labourers on a modest cash wage, say Rs. 15 to Rs. 30 per mensem.

251. 4. Due to the financial difficulties of the small holder, the bigger landholder is acquiring the land. By the Land Alienation Act the *bania* cannot acquire land. But the big landholder does not truly farm any more than the *bania* does. He lets out his area in small parcels, usually from year to year. Because the labourer has no alternative; because work on cash wages is not available, he strives to make a living on a small rented plot, borrowing the capital required.

252. 5. Through the process of the enforcement of the old debts many small landholders are being turned into tenants; their lands are passing into the hands of the bigger landholders who rarely practice farming.

253. 6. The process is taking away from the actual cultivator the incentive to farm efficiently. By modification of the Land Alienation Act the trend might perhaps be checked. Than the big landholder the *bania* is quite often the more lenient landlord, perhaps because he lives not by the income from his land alone, but quite as much by the trade in which he usually is engaged.

254. 7. The *bania* does not require personal service from the tenant; the farmer-landholder often does exact some form of service. If the accounts of the landholder who lends money or finances tenants can be equally examined with those of the *bania*, then perhaps legislation on the subject might be advisable. But it would appear difficult to get accurate data especially from the landholder who does not usually keep accurate accounts.

255. 11. Arbitration boards or village *panchayats* are unknown in the province.

#### R.—FINANCE FOR AGRICULTURAL PRODUCTION.

256. 12. (a) For expenses of cultivation, loans are almost invariably got from the village *bania*, alike by the small cultivator, the landless tenant and the landholder who may finance his tenants.

(b) *Takavi* is not hard to get for any worthy permanent improvement.

(c) Mostly from the *bania*, loans are got to meet crop failures or disasters from whatever cause arising. The big landholder and the landless tenant alike call on the *bania* for financial aid. Only a part of the loan is obtained in the form of seed, or implements, or manure. In times of dire misfortune even daily bread is provided by the *bania* on reasonable credit terms. The rate of interest charged for expenses during cultivation varies according to the financial and personal status

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of the borrower. For cultivation it may be as low as 12 p. c. per annum, or as high as 35 per cent. per annum. *Takavi* is given on 6 per cent. interest. The *bania's* loan is given usually for an indefinite period with compound interest to be paid where it is due. The security, in the case of the small cultivator is the crop, his humble dwelling or his family ornaments. When the doubtful security and circumstances are borne in mind, the rates of interest are not exorbitant. It is improbable that any business house would grant financial aid on easier terms. To finance improvements, to purchase seed or cattle in times of need, loans are freely given by the Government on suitable security. Nevertheless the majority of the more humble cultivators choose to be aided by the *bania*.

257. 13. The larger landholder borrows money freely enough under the Agriculturists Loans Act; but not so the humbler cultivator. The *bania* is, he believes the easier, more approachable creditor.

258. 15. The truth in financing production is that money is far too easily got on loan.

259. 16. No useful estimate can be framed by this Department. Adequate capital appears to be available in most villages for worthy men.

#### C.--FINANCE FOR MARKETING.

260. 18. The local banker finances the bigger money-lender, who in turn provides funds for the operations of the *bania*, and from him the small shop keeper borrows, sometimes to lend to the humble cultivator. There is close co-ordination between all those who provide the cultivator with money. The shopkeeper or *bania* alone is in a position to gauge the worth of any villager who needs money and desires to borrow.

261. 19. The produce is quite suitably stored but only by the solvent cultivator, or the landholder who receives produce as rent. As a rule wheat, maize, chillies, etc., are sold on the threshing floor. The *bania* buys to sell to the city agent who in turn disposes of the produce in a suitable market, sometimes on commission, though often he is the last local owner. Who has produce in store has no difficulty in getting a loan on its value.

262. 21. No credit facilities now available can alter the fact that the goods must pass through the hands of the *bania* creditor, and certainly by far the greater proportion of the cultivators are in the *bania's* debt.

#### D.—LONG PERIOD LOANS FOR AGRICULTURE.

263. 25. Long term credit is required chiefly for capital and permanent improvements, and not too many of these are truly much to be desired objects in the existing state of agricultural indebtedness.

264. 27. The landholder, big or small, gets *takavi* easily enough; the money is perhaps too lightly borrowed.

265. 28. On irrigated tracts, the price may range from Rs. 500 to Rs. 1,000 per acre. Compared with the market value the annual yield of the land everywhere is actually low; but this is due to careless or to ill financed practice and to bad farming owing to one cause or another. In the Peshawar district return per acre on land suitably farmed and reasonably financed may be not less than on almost any irrigated agricultural area in the world. The fact that a more or less

285. What is the proportion of irrigated to non-irrigated land?—I should think a fourth is irrigated.

286. Three quarters not irrigated?—It may be nearly half. I am not quite sure about that.

287. *Professor Chabiani*: Of Peshawar Tehsil or District?—I speak of the District. The cultivation is of a high order in the irrigated area, and the crops are intensive. The leading crops are wheat, maize sugarcane, chillies, etc. A very small part of it is rice and oil crops. I may say that probably the Peshawar district has got a higher proportion of sugarcane than any other district in India; that is the common belief amongst those who know. The land is rich and it is capable of very much indeed.

288. *Chairman*: About the unirrigated land, if means of irrigation were provided, do you think it would be capable of producing better results?—I am not aware of the potentialities of irrigating further area. I can say that a large part of it is just now admirably irrigated, but it is not intensively cultivated. There are great opportunities for better cultivation on the Upper Swat Canal for instance. The real difficulty is that there is a lack of tenants.

289. What is the condition of the peasant proprietors and tenants in this part of the world?—If they have got money, their hopes will be excellent.

290. Have they got money?—No. I should think, a very large number of those holding land are in debt.

291. But in your memorandum you said that it was very easy to obtain credit for the *zamindars* here?—Yes.

292. How do you reconcile that with what you are telling us now?—When one remembers that perhaps 90 per cent. are in debt, how do they get money. It is not possible unless credit can be had on easy terms. They get into debt easily and I judge from that.

293. They get into debt to obtain money to assist cultivation or for social purposes, *e.g.*, marriage expenses?—I am afraid too high a proportion is for social purposes, although cultivation is also one of the most important causes.

294. Is your Department doing anything to promote modern methods of agriculture in the province?—Yes.

295. Have the Department taken any definite steps?—Undoubtedly in every aspect of agriculture except one, *i.e.*, the introduction of agricultural implements. There is no large call for introducing improved agricultural implements because the holdings are in many cases five acres or ten acres, but in the matter of improved varieties we are well ahead. We have got the best sugarcane in the world, there is no better variety than the Peshawar variety. We are doing our utmost in that way.

296. What is the average size of holdings?—I should think about five acres, and on this a man may live well.

297. This is what you would like to have?—Yes. In the Peshawar valley with five acres and free of debt a man farming himself will be happy.

298. What is the actual of average holdings now, is it five acres or less?—It is about five acres in the Peshawar Tehsil. When you get to Charsada, you might say ten or it may be more. In the Peshawar Tehsil the crops comprise a moderate amount of sugarcane, cotton and maize.

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299. Have you had any Departmental enquiry into the size of the holdings?—For my own education I spend the better part of my time in the villages. We are regarded by the *Khans* and others in the villages with respect and we make enquiries, but the results are not for general publication they are only for the guidance and instruction of the Department. I have got every statement here in my file.

300. What do you think of the relation of the Khan or the big landlord with the smaller peasant cultivator?—The relations are excellent, amicable as far as I can see. It is like the old English feudal lord and his retainers.

301. Do landlords lend money to their tenants or other peasant proprietors?—I have never heard of a Khan lending his own money on interest. On the other hand, if he lends Rs. 100 he has got to get the money from some one else though he has not got his own money to lend.

302. He lends other people's money? Do they lend money to the peasant proprietors or the tenants?—They do lend money to them for cultivation or for any other need.

303. As a sort of *takavi*?—*Takavi* is given for land improvements.

304. You think that in this province the bigger man is swallowing up the smaller men?—I think that in view of the fact that land can no longer be acquired by non-agriculturists, the opportunities of bigger men to acquire the land are great. It is reasonable for him to expect to utilise the opportunity.

305. What is the attitude of the smaller man towards such a landlord as compared with the attitude of such men towards money-lenders?—More than ever I think the man directly under the Khan is becoming more and more a feudal retainer. That is becoming more emphasised. The bigger the areas the more command the landlord has.

306. What is his attitude towards the money-lender?—I never heard any views expressed against him.

307. You think that he is an essential factor in rural economy?—I think so, but as I have said in my note the money-lender is viewed exactly as I would view those who lend money to me.

308. Do you suggest regulation of credit or restriction of credit or expansion of credit facilities?—I cannot see how credit can be regulated, though I would like to see regulated. Restriction of credit seems to me to be the most important. The fact is that a large part of the cultivators have no capital whatsoever.

309. You don't think expansion of credit is required?—I don't think so. There are already so many of them in debt and we must stop that.

310. Complaint has been made that *takavi* is not easy to get because of departmental procedure. Do you endorse this complaint?—I have not the slightest doubt that it is not difficult to get it. A *Khan* can easily get it.

311. You think 75 per cent. of the peasant proprietors are in debt? What remedy do you suggest for bettering their conditions?—I can hardly think of any. Co-operatives society seems to be the best method. They are not thriftless, they live carefully and well.

312. You just now suggested that more credit facilities should not be provided. You want co-operative societies on a large scale, and you have got the *kariā*. Well, that would be adding to the present facilities?—Yes. There are hardly any facilities for getting rid of debt, and this is what is required.

313. To pay off his liabilities to the individual money-lender and become indebted to the co-operative societies?—Yes. The difficulty with co-operation is that its members have still to pay the money-lender. Without his aid there would be no spark of life in the village.

314. *Nawab Sir Sahibzada Abdul Qaiyum*:—The spirit of the *bania* has to be infused in the village community.

315. *Chairman*:—Have you studied the question of marketing facilities? Do they exist?—I have not seen any objection to the present form of marketing. The *bania* must collect the produce and thus act for the small man. The price is that controlled by the markets for wheat, chillies, gur. Peshawar rate is the general rate throughout the district. Chillies, maize and wheat are the chief crops.

316. Do you think that the small holdings in your province are due more to the fragmentation of holdings—sub-division of holdings—than to indebtedness?—I think more to indebtedness, than to fragmentation. I understand from you that 'sub-division' takes place on account of family partition. The fragmentation is not so serious here as it is in parts of the Punjab and other parts of India known to me.

317. *Prof. Chablani*:—Mr. Brown, you have conducted intensive enquiries in about 30 villages?—Approximately.

318. Would you kindly favour us with your detailed results of these so that we may be able to look into them?—Yes, here they are. They are loose sheets, not properly filed.

319. *Chairman*:—Can we use these files?—I have no objection.

320. Do you want to refer to your departmental superior before handing over the file to us?—Yes, that would be necessary.

321. You personally have no objection? Would you mind just enquiring from your departmental superior? While we are here you can give them to us temporarily?—Yes.

322. *Nawab Sir Sahibzada Abdul Qaiyum*: You do not perhaps want to expose the khans or landlords or debtors?—There is nothing whatever in it. May I give you the nature of it, Sir? It is merely a summary of what it costs to produce the various crops, or what the net return is, etc., etc. Beyond that there is nothing. It is not my business to know who is in debt and who is not. No names are there.

323. *Prof. Chablani*: Mr. Brown, you just now said that you made no enquiries into the actual extent of the indebtedness of particular villages?—My enquiry only related to the costs of production and the return on the land which is irrigated.

324. You have not calculated the interest that the villager pays on his debt?—No, that is not my business. I put only one question, "Are you in debt, yes or no".

325. You have estimated in the cost the interest on the capital which he borrows for his current needs?—Having got the cost of production and the return, it is simple matter for calculating if he is in debt.

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326. In estimating these costs of the production you have not considered interest on the capital borrowed for current needs?—I have refrained from anything like that.

327. Could you assist us in getting at an estimate of the total indebtedness of one of these villages with which you are in a better position to deal?—I shall make a survey such as has been done in the Punjab.

328. We can give you certain forms and returns which have to be filled up. We shall be obliged if you will undertake it, because you will cause the least suspicion among the people?—Yes. Our nearest neighbour is an excellent man and there won't be any difficulty.

329. *Chairman*: Of course it will have to be done most tactfully without creating suspicions in the minds of the people?—We live like brethren here.

330. *Prof. Chabiani*: You have given us a valuable summary of your conclusions. Will you please turn over to the first page and the heading: Holding No. 1 of the Optimum Returns. You have there taken a family of 3 workers, the man himself, his adult son and his wife. Now normally in this particular Province I find from census returns that only 37 per cent. are actual workers among people depending on agriculture, and that in the Peshawar District this percentage comes down to 32 per cent. while you have assumed 3 workers in a family of 5 persons?—Which is certainly customary. The father, his eldest son and his wife are the members that are engaged in a great number of the villages of the district.

331. But the census shows that this is far too large a proportion of actual workers in a family to take as the normal. 37 per cent. is the actual average for the Province and 32 per cent. for Peshawar District. Are you not as a matter of fact then too optimistic in this estimate which is based on 3 workers out of 5 members, i.e., on 60 per cent. actual workers and only 40 per cent. dependants? Is the wife included at all?—She is an assistant, a helpmate, but she does not come into the account.

337. I just gave you the figures for Peshawar Tehsil. At the last settlement the area mortgaged was 21,182; at the present settlement it was 10,453 acres; the area mortgaged with the non-agriculturists at the last settlement was 11,545; at the present settlement it was only 4,089. Now these are the figures. Out of a total area mortgaged 15,042 acres or  $2/3$ rd are mortgaged with the agriculturists and only  $1/3$ rd with the non-agriculturists. In assuming a flat rate of 18 per cent. you mean to imply that the agriculturist also charges 18 per cent. interest?—I do not imply any such thing; but I do say that any one borrowing money from another on the security of his land will not get at any thing less than 12 per cent.

338. Whether from the landlord or the *bania*?—The *Khan* never lends his money on interest but if he has got to borrow money at 12 per cent. he would lend money at 12 per cent. also.

339. But what about the case when an agriculturist lends on the mortgage of lands? Shall he then have to borrow money to lend?—Land owners, as a class are in debt to a very large extent, they must borrow money before he can lend it.

340. So that is the general position?—I say definitely that it is not the practice with the *Khan* to lend money.

341. In which case then the highest rate of interest charged to him would be less than 18 per cent.? If he borrows from the *bania* at the rate of 18 per cent. he will not be making anything unless he borrows it say at 12 per cent. and lends it at 18 per cent.?—I do not believe he would.

342. *Chairman*: You mean to say that you have no information on this point?—Yes

343. *Nawab Sir Sahibzada Abdul Qaiyum*: Don't you imply that he would only be a surety?—It comes to the same thing.

345. *Prof. Chabiani*:—It amounts to this then that your general conclusion is that those who have got less than  $5\frac{1}{2}$  acres of rich irrigated land cannot make both ends meet?—I have pointed out that the man who has got  $5\frac{1}{2}$  acres without encumbrances of any kind whatever can do very well.

346. Is it correct to say that your investigations lead you to the conclusions: "That owners of  $5\frac{1}{2}$  acres of the best irrigated land, farming themselves, free of debt and without the necessity of borrowing working capital, and tenants paying cash rent and cultivating  $5\frac{1}{2}$  acres of the best land, and not borrowing working capital can make both ends meet; but all others including owners of  $5\frac{1}{2}$  acres who have incurred debts and *batai* tenants on  $5\frac{1}{2}$  acres of the best lands, even when free of debt, cannot make both ends meet"?—I want to clear the position. I mean to say that the owners of  $5\frac{1}{2}$  acres of the best irrigated land, even with half their areas in debt can live very well, because they still hope to get free; but the others are in a difficult position.

347. Do your figures as worked out cover the case of classes other than owners?—Yes, except those who are moderately in debt.

348. Leaving out the first three classes who are owners of land, when we come to the very large class of people who are *batai* tenants, then practically no body except those who are free of debt, can make both ends meet?—Yes, that is my view.

*Mr. W. Robertson-Brown.*

349. Do you think that a holding less than  $5\frac{1}{2}$  acres, is an uneconomic holding?—Not exactly. One who owns  $5\frac{1}{2}$  acres is doing very well, others who own less are doing moderately.

350. What will you put as the minimum?—I do not think a man could live on less than 3 acres.

351. Before the Royal Agricultural Commission you had put it at 4 acres?—There is not much difference.

352. *Chairman*: You would put the minimum at 5 acres?—Five acres in the Peshawar Tahsil, free of debt and of all encumbrances.

353. *Prof. Chablani*: But can they do with, say, 3 acres of irrigated land? Three acres, free of debt, *i.e.*, if he is free of debt, can he live on less than 3 acres of land?—I say, that 3 acres free of debt will keep him up, but that is in very exceptional circumstances.

354. Isn't it rather exceptional to satisfy all the conditions that you have laid down even for  $5\frac{1}{2}$  acres; rich irrigated land, the best rotation of crops, 3 out of five workers in a family and provided the man is a shrewd worker and not a lazy man?—Well, I deliberately painted a beautiful picture. A very large number of people of this Province, *i.e.*, 44 per cent. are not owners, 56 per cent. being tenants.

355. *Nawab Sir Sahibzada Abdul Qaiyum*: Mark the word "tenants".

356. *Prof. Chablani*: And of these tenants 80 per cent are, according to the Administration Report of 1921-22, tenants-at-will. Considering these figures it means then on the basis of your calculations that an overwhelming majority of the population of this Province are not in a position to make two ends meet even if they had no debts to pay?—Yes.

357. Will you consider your different cases separately? You say that when an owner of  $5\frac{1}{2}$  acres of the best of land is free of debt and farms himself, he can get 3,712 on three years' operations; taking the second case in which half his land is mortgaged at Rs. 250 per *jarib*, you say that he can get a net profit of Rs. 2,969/8/- in three years. In the third case in which his entire area of 11 *jaribs* is mortgaged, he gets, on your calculations, Rs. 2,227 if he does not need to borrow working capital, but if he does this, you say he cannot make the two ends meet. In the 4th, 5th and 6th cases which include as you say, the very large class of tenants, who cultivate on the *batai* system, the cultivator of 11 *jaribs* loses heavily in 3 years. In the 7th case when the tenant pays a cash rent, he can make a fair net profit?—I will sum up in this way. Free of debt with five acres they do splendidly; half in debt they can do quite well; paying 1/3rd share they might carry on, by paying half share they cannot live.

358. You say that only 5 per cent. of the people of this province have got any money to invest?—It is a very difficult matter to be accurate about.

359. Considering the position that you have disclosed to us and considering the fact that a very large number of holdings are less than 3 acres or between 3 and 5 acres; for instance, in the figures relating to the Peshawar Tahsil out of a total area of 2,88,965 acres and of 31,827 holdings, the number of holdings under three acres is 19,805, and that of holdings between 3 acres and less than 3 acres is 4,968,



i.e., a total (24,773) of nearly 25,000 holdings out of 31,000 are below 5 acres, and considering also the fact that a large percentage of people are tenants who have to pay  $\frac{1}{2}$  or  $\frac{1}{3}$  share in kind do you think that in the rural areas there is much saving available for investment even when the agriculturists are free of debt?—There is very little saving; I am perfectly confident of that.

360. Talking of owners and tenants on 3 to 5 acres of agricultural land, obviously then they cannot offer adequate security for raising money?—No. They cannot.

361. The root cause, or the major factor according to your note, is *butai* rent system in which the rents are paid in kind. You say that the best thing is to create interest for farming?—Yes, but the fact of the matter is that so long as it is more profitable to hire out land than to cultivate it himself, he would hire out the land.

362. (a). I come to the second part of your memorandum. Kindly tell us what you know about rates of interest charged by the *bania*, or rather his realised net return on capital?—I have never had a look at the *bania*'s books; I know. I have stated in my memorandum what is commonly stated by the farmers.

362. Which is based upon the statements made to you in the course of your investigations?—And in the course of 19 years' intimate knowledge.

363. *Chairman*: This statement is based more upon hearsay?—Alike from the *bania*, the farmer and other sources.

364. *Prof. Chablani*: Does the *bania* charge the same rate when he lends money directly to an agriculturist and when he lends it through a bigger agriculturist to another smaller agriculturist?—I am perfectly confident that the Khan does not advance money to the agriculturist on interest. If he has to make such an advance, he gets it on interest from the *bania*.

365. *Nawab Sir Sahibzada 'Abdul Qaiyum*: He simply becomes his surety?—Yes, he stands surety.

366. *Prof. Chablani*: These rates vary in accordance with the purposes for which the loan is granted, because you say that for cultivation expenses the rate is so much and for litigation it is so much, etc. So the rate seems to rise higher, the more unproductive the purpose for which the loan is demanded. In other word the *bania* does make this distinction in the rate of interest on loans for various purposes?—Undoubtedly.

367. And yet you say that the money is so easily got?—Yes, that is my view. As I said before, 95 per cent. of the peasant proprietors are in debt.

368. The *bania* would lend at the highest rate possible when the loan is advanced for unproductive purposes?—Undoubtedly.

369. And yet you say that the remedy partly lies in limiting the rate of interest recoverable in court. Would not that make things more easy?—Yes, but if, for example, the money-lender finds that he gets less than 36 per cent. in court, then he would not lend money.

370. I quite see that. But will not lower rate stimulate borrowing by making it easier?—Possibly. But when I penned these lines, I took the view that the *bania* would not lend.

*Mr. W. Robertson-Brown.*

371. Supposing the court of law insisted on not giving more than 36 per cent. will it not encourage loans for unproductive purposes?—Yes, probably.

372. But apart from making it more difficult to borrow for unproductive purposes, so far as productive purposes are concerned, you would like to make things more easy?—Undoubtedly.

373. Your statement is that loans for cultivation are granted at 12 per cent. Do you think the rate of interest can be cheaper still if capital available in the mofussil areas is what it is at present?—I do not think you can get money much cheaper for agricultural purposes.

374. In your reply to question No. 12 you say that there is no difficulty in getting money in the mofussil if the purpose is legitimate and productive?—Of that I am fairly confident.

375. You also say in reply to question No. 60 that the *bania* is well able to meet all demands for legitimate purposes; and that he has accurate knowledge of his client?—Yes, he knows every man in the village.

376. Obviously a man of that sort would prove a valuable link in the banking organisation, if he could get money himself at cheaper rates from a bank on condition that he lends money for productive purposes at a particular rate; obviously he would be the most desirable link?—That is right so far as the North-West Frontier Province is concerned.

377. *Nawab Sir Sahibzada Abdul Qaiyum* : I do not follow you?—I mean to say that in the N.-W. F. Province the *bania* is a useful link; he knows the life of the village.

378. More useful than the landlord or the khan?—Not that, but in the matter of getting money he would be more useful.

379. What I understood Prof. Chablani to ask was whether, provided banking facilities were given and banks opened he would prove a better middle man than the *khan*?

380. *Prof. Chablani (To the Chairman:)* No, not that. I suppose I am entitled to put the question as I want, not as some other member wishes it to be put. *(To the Witness)* You say that the *bania* has got an intimate knowledge of his client in the village. I ask whether a man of that sort who knows the conditions intimately would not prove a valuable link for the purpose of organizing a banking system for the agriculturists?—He would undoubtedly prove so. But the *Khan* would prove a better link than the *bania*.

382. *Chairman* : Prof. Chablani, you mean to say that supposing there was a sort of banking organization which did not know the conditions of the village . . . .

383. *Prof. Chablani* : I mean to say, Sir, that supposing there is a banker in a big city, or a banking organization, *e.g.*, a joint stock bank and, a *zamindar* bank, or even Government or any body, who has got surplus money to advance to the agriculturist, would he find this agency a useful one?

384. *Chairman* : But you have now put the question differently.

385. *Witness* : He would find the *bania* a useful link.

386. *Prof. Chablani* : How would you as a banker utilize the agency of such a *bania*?—As a banker in town I would ask the *bania* "Do you know this man intimately and his circumstances", if I am going to advance the money through the *bania*.

387. You mean to say that you would make him responsible for the losses obviously. Naturally therefore you would give him some concessions?—Yes, but I would like to add this that if I want to know the borrower adequately, the best man to know the borrower is the Khan who has got intimate knowledge of him. But for finance would even almost better than the Khan may be the *bania*, because he has got a shop in the village, where he stores groceries, etc., and he would know what the man is worth in the village.

388. As a banker in the station then you would attach some responsibility to the *bania* and you will give him some concessions?—I would; he would work as an agent between the lender and the borrower.

389. Supposing this *bania* was purely an agent of the bank, considering the rate of interest that now prevails, at what rate would it be proper for him as agent of the bank to charge interest to the agriculturist?—He should charge 36 per cent. to the man without capital, if he likes, if the man has got nothing to offer as security: to the man with moderate means less and approximate to that given in the memorandum and still less to the man who is stable and sound. But if the man has got nothing, don't encourage him to borrow.

390. So you do not expect that such a change would make any appreciable reduction in the rate of interest?—No, I don't think there would be any great reduction.

391. You have stated in your memorandum that the man who has got produce in store has no difficulty in getting loan on its value in answer to Question 20. From whom do you mean; from the *bania* or from the *zamindar* money-lender?—From the *bania* or from the landowner if he is not in debt himself.

392. You say that no credit facilities now available can alter the fact that the goods must pass through the hands of the *bania* creditor?—Or, it may be the landlord himself if he advances the money . . .

393. You say that no credit facilities now available can alter the position. Supposing further credit facilities are available, can they alter this fact?—Not materially, the holdings being so small that the small quantities of goods have to be collected for the market by some one.

394. So that the *bania* does the work of this collecting agency for the small peasant proprietor?—The *bania* is a good intermediary.

395. You say that not too many of these permanent improvements may be truly regarded as desirable objects in the existing state of agricultural indebtedness. Now one way of improving the economic conditions of the agriculturist is to reduce his unnecessary expenses, but another way is to make him earn more. Do you think that capital improvements if properly financed would provide some scope for improvement in this Province?—Yes, they would, but not very much.

396. Do you think as an expert agricultural officer that some kind of improvement in the land can increase its yield or productivity in the present circumstances?—I have not considered this question seriously.

397. Would you agree that these small peasants should put their holdings together in co-operative production societies and then get credit for long term improvements?—No; my most ardent wish is that those owning 50 acres should cultivate themselves and also employ those, for example, who possess less than 5 acres and are without any capital in the world.

398. Can nothing be done to improve the economic position of the majority of agriculturists in this province, say by means of credit facilities, by making money available at cheaper rates of interest? After all we cannot merely say that no solution is possible and content ourselves with an ardent wish. As human beings we must exercise our brains and attempt to find a remedy.

399. *Chairman*: Mr. Brown, have you ever considered this question?—I must say I have. First of all take away those who are endeavouring to farm without capital. It would be better for them to work as labourers at -/10/- a day rather than to farm without capital. Another solution so far as I see is that those holding comparatively small areas, say, 50 acres, should farm themselves and employ those who can't make a living. A certain amount of farming should be done by those owning 50 or more than 50 acres.

400. *Prof. Chablani*: Can the financier do anything in the matter? Can the banking organization help in any way?—If the banking organization is in a position to offer him a cheaper rate of interest than what he has to pay now; but I am not very sanguine about it.

401. Why do you rule out the possibility of these small peasant proprietors combining into co-operative farming societies, and getting finance on the basis of their joint security?—Because here, as in every other part of the world so far as I know there is an ardent wish to cling to the land whether it pays or not. I cannot imagine men working in this co-operative manner in any area.

402. *Chairman*: To my mind this is the most unlikely Province where a co-operative scheme of this sort can be successful?—Unless the people are more gentle and kind.

403. *Prof. Chablani*: You have given us the value of land from 500 to 1,000 per acre in the irrigated area. Would it not be better if the small peasant proprietor sold his holding and invested his capital in some other form? Would he get Rs. 3,000 or Rs. 5,000 on his invested capital at the end of three years?—No; but he would be able to earn good wages in addition to the income from investment, and be free from debt or losses. Well, for the sake of his successors he would not sell his holding.

404. *Nawab Major Mohd. Akbar Khan*: Being a Pathan he would not like to part with his hereditary holding.

405. *Prof. Chablani*: In answer to question No. 29 you yourself have pointed out that by the exclusion of business men with money and enterprise from the market, the value of land is decreasing rather than increasing pace with the rising values. Can you suggest any remedy for it?—I do not know.

406. You suggest that the Land Alienation Act might with advantage to the small cultivator be modified to stimulate enterprise in farming?—Yes. I would not exclude the man whom you now mentioned with capital and enterprise.

407. In answer to question No. 60 you say that "the *bania* is truly the friend in need in village life as it now exists in the community where business is carried on by barter rather than by the circulation of money." Is the system of barter the main reason why the *bania* is both a trader and a money-lender?—To a considerable extent this is the reason. He grants loan to the small peasant and gets some grain in lieu of interest, etc., which he stores in his shop and sells, and thus he is both a trader and a money-lender.

408. We come to the question of investment now. You say "who has any money to spare endeavours to acquire land" and yet you have mentioned somewhere that the yield of the land is not enough to give a sufficient return on the capital invested. I am talking of the better class of lands?—It applies to all, in view of the fact that there is that great wish to get more land. Moreover, as I have pointed out, the landlord is not doing so badly on the land; it is the humble cultivator who suffers.

409. The landlord who can save has not enough inducement to invest it in some other form?—I have pointed out that land is a good investment for the big landlord so long as there are humble peasants.

410. Would not deposits in the city banks from the surrounding rural areas serve a more useful purpose in the rural areas?—I can only think of a very small number who send anything to the banks.

411. But it is an open secret that the branches of banks are collecting agencies for deposits rather than investing agencies in the mofussil? How do you account for that fact?—Deposit is the safer of the two; investment is a bit unsafe.

412. Can you suggest any method by which we could encourage the investment of the savings of such agriculturists as can save in forms other than land?—No; they are so little in touch with the world of investment that really they do not know.

413. How would you put them in touch?—In other parts of the world all sorts of information reach the public, but I do not think any such information reaches the Frontier.

414. Can you suggest any method by which this kind of information could reach the peasant?—I should think that in any case that would not be of much help.

415. *Mr. V. F. Gray*: Not even the Post Office Cash Certificates?—Yes; if they have any money to deposit, I believe they will deposit in Post Office Cash Certificates.

416. *Nawab Major Mohd. Akbar Khan*: Why should a *bania* be more lenient than the land owner, while the landowner is of the same class as the debtor? You say in your memo. that sometimes the *bania* is more lenient than the big land owner?—Because the *bania* is generally a trader and very often he lends money in the hope of getting commodities for the trade on which he depends and lending money brings him the goods."

417. Don't you think that the land owner being of the same class as his debtor has greater regard for his welfare than the *bania*, because the *bania* is altogether no relation of this man?—I quite agree to that; but I can clearly see that if the *bania* can get his money back in three years he is in an easier position than the land-owner in the village. On the other hand, if the landowner has got to borrow money to give to the other man, he is in a difficult position.

418. That is what I was suggesting that the landowner does not make any profit himself, but he lends out what he gets from the *bania* at the same rate and his terms could not be worse, than the *bania*, because he does not save anything for himself?—I perfectly agree that the *khan* does not make any gain; and that is why his position is more difficult.

419. What portion of the produce of a tenant or land owner is charged as Government land revenue and water tax, etc.?—It is about -/6/- per *jarib* land revenue, and from Re. 1/- to Rs. 3/8 water tax.

*Mr. W. Robertson-Brown.*

420. But the Settlement Officer says that half of the land owner's income is charged as Government land revenue?

421. *Mr. V. F. Gray*: That would be the net income.

422. *Chairman*: I do not suppose it is so.

423. *Nawab Major Mohd. Akbar Khan*: That is why I have put that question. Do you think that the Pathan who is very democratic would serve his creditor without any remuneration; he would be paid something when his creditor employs him, because he has borrowed money and he pays as interest certain portion of his produce. If he was to serve that man he would get some remuneration in return?—I entirely agree that he is wholly democratic in all he does. If he has got Rs. 100 and pays back Rs. 100 that is fair and square.

424. Because you have been several times to Yusafzai and Hashtnagar you know the habits of the Pathan; that he cannot be forced to serve as a servant without getting adequate remuneration?—I quite agree. He will not serve without remuneration. He must have some advantage.

425. Don't you think that, if the Land Alienation Act is modified so as to prohibit the landowner from purchasing land as the *bania* now is, the lawyer who accumulates the wealth of every body should be brought within the operation of this Act, because several of these lawyers have thus bought property. They lend out money in the name of their families. Will it not be fair, if any thing is done against the big land-owner, that the lawyers should also be debarred from buying land?

*Chairman*: Nawab Sahib, what we are really concerned with is the consideration of providing banking facilities.

426. *Nawab Major Mohd. Akbar Khan*: Very well. The question is that petty peasants are made tenants-at-will and that they are ousted. I am putting another question. Well, if the landlord is going to be debarred from purchasing land, why not the lawyer who has got plenty of money and who has bought several big properties somewhere else?

427. *Nawab Sir Sahibzada Abdul Qaiyum*: Even if he happens to be a Khan's son?

428. *Nawab Major Mohd. Akbar Khan*: Yes.

429. *Nawab Sir Sahibzada Abdul Qaiyum*: Good.

430. *Chairman*: Nawab Sahib, we are not considering the question of the abolition of the Land Alienation Act.

431. *Nawab Major Mohd. Akbar Khan*: As somewhere it was stated before this Committee that when a big landlord ousts the small peasant proprietor from his land, he generally ousts him altogether from his land and gives it to another person; that that person does not take the same interest in looking after that land and that the value of the property is depreciated, because he does not devote so much time to it and the land therefore becomes unproductive. Now you have several times been to Yusafzai and Hashtnagar; do you think that the big landlord, simply for the hobby, because it is his hobby to acquire property, takes the property and then leaves it as waste land and does not want to get any return out of it?—It would be very foolish on his part to do any such thing.

432. I should say that the big landlord tries to the best of his ability to get as much out of the property that he has acquired as the man who was working on it before?—Except that the big land-owner has got tenants to work for him.

433. But to the best of his ability he exerts as he does not want that his property should be wasted?—Certainly not.

434. Do you know that, in Hashtnagar and Yusafzai, in most of the villages the tenants are mostly from across the border, Mohmands and Afridis?—I know that well.

435. Do you know that certain of the big landowners are always in trouble for not having good tenants?—I know that well.

436. Do you know that there are some big landowners who have given quite a big sum as *takavi* without getting any interest for it from the tenants?—I am not aware of this fact. Whenever they give money like that, it is not always without some advantage to themselves; I cannot imagine of such a thing.

437. You may not have enquired, it is the case in many instances?—It must be of some advantage to the landlord then.

438. *L. Bal Kishan*: Mr. Brown, you have said that for credit security is very essential and it is also a fact that in this Province more than about 95 per cent. peasant proprietors are heavily in debt?—It is commonly said so.

438. (a) And your investigations show that as long as they are in debt, it is very difficult for a small proprietor to make both ends meet?—Yes, it is.

439. You also know that the rate of interest to a great extent depends on the security?—Quite.

440. You suggested that the co-operative credit societies should be established in the rural areas to finance the agriculturists?—Yes, they should be made tentatively, as you have started in Hazara. It is a delicate matter.

441. The co-operative society also must have some security and because the debt is already very heavy on the agriculturist, his security is to be divided between the co-operative society and the old money-lender. As a remedy, you think, the co-operative society should take over the debt of the *bania*?—I would not agree to it.

442. Thanks; that is what I understood you to mean. I am very glad that I have corrected it, because if the debt is taken over by the credit society in the beginning without studying the character of the person, it would be dangerous, and as you know it has proved a failure in many instances and where without educating the man you release him of his old debt he will borrow again from whatever source he could?—Yes, it is the case.

443. In your opinion the loans for productive purposes should be raised at 12 per cent.?—I think so.

444. And if the co-operative societies are to finance the agriculturists, and they have to depend for a very long time for their funds from outside, the rate of interest would not be less than 12 per cent for some time?—I cannot imagine that it would be.

445. There is a small para. in your memorandum that the *bania* does not require any personal service from the peasant. Will you just explain a bit more?—The *lania*'s life is a life aloof from cultivation, etc. He has got nothing to do with agriculture, but to attend to his shop.

*Mr. W. Robertson-Brown*





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But the *Khan* on the other hand has got his lands and he would require the peasant borrower to assist him in the cultivation of his land; do carting for him and other things.

446. *Nawab Major Mohd. Akbar Khan*: After paying him some remuneration?—Undoubtedly.

447. *L. Bai Kishen*: Should I take it that in the villages at present what is wanted is banking and not more facilities for credit. Credit is only giving loans not caring from where the funds come and banking means the collecting of savings also from the area in which the bank is situated. So banking is the only solution in your opinion?—Yes.

448. *Nawab Sir Sahibzada Abdul Qaiyum*: One point which I would like to be cleared about is your reply to Question No. 1 in your memorandum. You seem inclined to think that the small peasant proprietors whose holdings cannot give them sufficient living, should form themselves into co-operative societies or dispose of the holdings and invest money in some other pursuits?—I agree.

449. Don't you think that that would necessitate the finding of industrial labour for these people who have lost their original pursuits?—In a measure I think so, but there is great opportunity for their more profitable employment on the land.

450. But after the disposal of their holdings and with some money in their pockets will they still be keen on agricultural labour?—Then he should take his money to some town or industrial place, invest it there and do some labour as well, and there he would be more comfortable than in the village with a small holding.

451. *Nawab Sir Sahibzada Abdul Qaiyum*: Will you strictly confine him to the four walls of his village or allow him to take the money in his pocket and drift away to some industrial town?—He would be well advised if he stayed in the village on the *Khan's* farm if the *Khan* would employ him. I would like every *Khan* to farm a little of his land, say 50 acres at least, and keep these men on his lands.

452. He would still like to be somehow or other connected to the proprietary body of the village, although he has no status as proprietor?—He would like that.

453. Can you retain labour in that way? If he gets a rupee a day or even 14 annas a day in the town, will he stay on in the village, when the local men will not be able to pay him more than 7 or 8 annas a day?—I think so. They have got a sentimental attachment to the village. There is a difference between the village pay and the pay in the town, and the latter is very little to him.

454. Even if he has not got that sentimental attachment to his village and does not own even a small piece of land and a small house? When all that is cut off, will he stick to his village?—He will if he can get 12 annas or 14 annas a day; the village offers a better proposition and I have lived that life and know it intimately.

455. In what respect, even if he has not got sufficient to live upon?—I am assuming 10 annas.

456. Then you will have to find labour for him in the village. Suppose there is no big *Khan* like the *Khan* over there (pointing to Major

Nawab Mohd. Akbar Khan) and suppose he cannot run his big farm on industrial lines; and there is only the poor small *Khan* who cannot afford to pay him in cash, but may afford a share of the produce, etc., without paying any cash, even then you think you can confine the man to the village?—If he has very reasonable wage he will stay where he is.

457. What is your experience? Is there not much migration to industrial towns and are not villages deserted from year to year?—In the case of Peshawar the population is dense, there is plenty of population in the towns but the villages have not declined.

458. Is it not within your experience that labour is getting very scarce in villages, and that it is hard to find tenants, and private servants? If you go on with that process you will make it harder for the villager to stay there?—In my own experience, labourers are not hard to get; for instance, 19 years ago they could get 8 annas but to-day they get 16 annas in *Unthana*.

459. You have got a Government budget and you can even waste a little. But look at the position of the poor *Khan* in the village. He cannot afford to find hard cash for him as wages. I understood from you that you would not suggest the old system of paying in kind and offering comforts such as are generally available in villages under the protection of the bigger landlord. You have suggested that you will like him to be paid in cash?—Wages should only be paid in cash. I hardly find it otherwise in the case of those who own 50 acres. Fifty acres is a sufficient holding in the North-West Frontier Province.

460. You mean that it will be quite easy for them to find finance for paying cash wages?—Yes.

461. And you think that they are fairly well off even now when they are trying to find money for that purpose?—I do not know many parts of the world where the return per acre can be greater than in the North-West Frontier Province from the irrigated area.

462. I do not press that point. Your memorandum is full of the idea that at present even the biggest landlord is bankrupt. He can improve his position. Will it not lead to the industrialisation of India as against agriculturalisation which was traditionally the principal profession and occupation of India?—I do not say so. I would be the last man to make that suggestion. There is ample field for employment as labourer in agriculture.

463. I can see your point. Let us not touch the whole of India. Will not the landlord who purchases these small holdings have to run it on business lines, run agriculture as an industry? Mind, it is industry, it is more or less an industrial farm. Will it not lead to the same thing as industrialisation, where strikes may take place, where the ousted farm-proprietors may form themselves into labour organisations and bring trouble to the country?—I do not think any trouble can possibly arise, greater than that which now exists. My contention is that the man at the bottom, on the half share system with no capital, cannot be worse off.

464. Do you think there is more labour trouble under the present system in agricultural areas or in urban areas? Where do strikes generally take place? Will not history repeat itself and strikes spread on to agriculture? Will not there be much difficulty in the employment of that surplus labour which will be always there? I want some employment for that surplus labour. Cannot people who are ousted from their lands

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and have got a little money in their pockets, invest that money in the village in some other pursuits? Will they have to drift to town to invest it? The other difficulty is that even if they were to gamble away that money and live in the village, will that not be creating a source of trouble for the poor landlord and demanding extraordinarily high wages?—I do not think there is any necessity for the small proprietor to part with his half acre or two acres or three acres if he can find employment on the farm of a bigger landlord.

465. Mr. Brown, I am really anxious that these poor fellows who cannot afford to live on their present small holdings should dispose them of rather than that they should be subject to a source of trouble in the village, because there is the *patwari* and the police station and various other troubles behind it. I would rather like to see them dispose of their land and go in for some other profession. But my trouble is whether you will get enough labour for them in the village or you will allow them to drift to the town?—I think there is sufficient employment available on the land and more.

466. Will there be less attachment to farming when the man has not got proprietary interest in the land? Some of the tenants come from the border, cultivate and run away with the crops. Suppose there is no tail to be caught hold of, how will you get hold of him and put him to the plough?—To every man I would say “if you are deeply in debt, sell the land”.

467. Another difficulty. Do you come from England?—Yes.

468. Is agriculture really becoming a paying concern? Are there any small holdings there or has the land gone to the bigger landlord? Don't you find it very expensive to employ cash paid labour on the farms, and if so, are any of the farms lying waste?—No. In Britain cash wages are paid for the greater part. In Scotland there are standard wages up to 35s. There are certain regulations regarding the renting of the land.

My experience is not based on any facts from Scotland; my experience is that of Yorkshire. There I know a couple of friends. One was complaining that he could not get labour for his farms and his estate had remained something like a pasture field?—But there is no inducement in India to leave the country side. I do not know when the day will come when India will get factories buzzing.

469. You think the process of industrialisation is steadily going on and it may one day reach the villages?—I do not think, there is no hope of that.

470. In your reply to question No. 7, last sentence, you say “arbitration boards or village *panchayats* are unknown in the Province”. Do you recommend these *panchayats* or the revival of the old *jirga* system? You know it?—I know it well.

471. You say the whole society of village life is disorganised, there are not those old village *jirgas*, and no *panchayats* exist?—Yes.

472. So that the poor peasant tenant, even for the loss of a chicken has to go to the Police Station or some Tehsil. Won't you advise the starting or reviving of the old *jirga* system?—The sooner the better. They are able to control their own affairs in the village.

473. In your reply to question No. 12, you say “*Gakari* is not hard to get for any permanent improvement”. Is it not hard to get?—No.

474. Please see your answer to No. 13, viz., "There you find some difficulty. The rich landlord borrows money freely enough. The *bania* is an easier, more approachable creditor". How can you reconcile the two?—If a case is deserving, *takavi* is easily got.

476. But how will you get access to the Deputy Commissioner?—It is easy to approach the Deputy Commissioner.

477. You don't realise what amount of difficulty is felt by the people to get access to the Deputy Commissioner?—That applies, I think to the smaller man.

478. Will you approve of the suggestion that a certain amount of advance should be placed at the disposal of the village headman or the great landlord or *Khan*, so that he may be able to advance it and be personally responsible for it, or will you entrust this work to the new co-operative societies which are now being started, instead of leaving it to the old machinery of the Revenue Department which has become very difficult and complicated?—The ideal would be through some co-operative society.

479. In your reply to question No. 21 you say in the last sentence "And certainly by far the greater proportion of the cultivators are in debt to the *banias*". Give us just a rough idea if the position has become worse since the time when you came to the province?—I am afraid it is worse.

480. Worse than in 1833 when there were no *banias* and the present system of financing had not started?

481. *Prof. Chabiani*: Were you here in 1833.

482. *Nawab Sir Sahibzada Abdul Qaiyum*: I have heard of it. The local man was in the village and no regular *bania* was in existence in those days. This securing of the position of the *bania* through your law courts and the giving of mortgage and various other deeds are new things. It was not so in this Province?—Across the border they have still got *banias* amongst those who have no courts.

483. Here you can't rob the *bania* while there they can rob him if he is unjust?—They have got *banias* where there are no courts.

484. What do you mean by the words "Too lightly borrowed" in your reply to No. 27?—Considering that the money has got to be paid back and they have no hope of paying.

486. Then you require some propaganda to make them realise that a loan is repayable?—I think, Sir, that they realise the spirit of "drink and be merry, for to-morrow we die".

487. *Chairman*: What is the rate of interest for *takavi*?—6 per cent.

488. *Nawab Major Mohammad Akbar Khan*:  $7\frac{1}{2}$  per cent. I have seen the bonds.

489. *Mr. V. F. Gray*: Your note rather leads one to gather that no further facilities are desirable. You don't mean that no further extension of banking is desirable for borrowing for productive purposes?—No.

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490. I gather that you rather like the co-operative banking system. Do you think it wise to develop on that line rather than on the extension of the Imperial Bank into the districts?—I think so. Co-operative banks with perhaps assistance from the Imperial Bank.

491. Would you not advocate the extension of the Imperial Bank and give them greater facilities for helping the co-operative banks?—Apart from the fact that the co-operative banks are in close touch with the village, the Imperial Bank is imperial and is so far away.

492. The previous witness seems to think that co-operative banks would find it hard work in getting deposits and that Government or somebody must advance credit to these banks, certainly in the beginning?—Yes.

493. That could only be done through an institution like an Imperial Bank?—Yes.

494. Would the Imperial Bank be of much help to the co-operative societies as their bankers?—I should think so. I must confess I know nothing of the methods of banking.

495. You raised a point in regard to co-operative banks. You say that the spark of life and joy of the village would go if they were made to pay the savings in the bank rather than spend it on enjoyment?—What I really said was that the *bania* is essential for the real joy of life.

496. Is there no possibility of introducing different forms of amusements for the village such as cinemas rather than let them spend their money on ceremonies, when one man spends most and goes into debt, why not have co-operative amusements?—Most of their amusements circle round weddings and other things. The cinema is not within their view.

497. You have now-a-days got wireless. It can be had very cheaply. One will be able to get concerts in the vernacular by raising funds in villages at small cost from a co-operative point of view and get pleasure, etc.?—I entirely agree with you. But the difficulty is that the womenfolk are then excluded. That is most important.

498. You say that the *bania's* rate of interest varies according to the purpose of the loan?—Yes.

499. Has security anything to do with it?—Obviously. For example, they are liable to lose in litigation.

500. I am asking you this question because the previous witness has told us that the rate did not vary; that because of the Land Alienation Act there was no security and therefore the *bania's* interest was exactly the same, whether you borrowed for cultivation purposes or for marriages?—No. It varies according to the purpose. Interest is gauged in a measure according to the security for recovery and the purpose. If the loan is for litigation the interest may be great; if it is for wedding there is not much hope of the money coming back quickly and so on.

501. That is, the Land Alienation Act should be altered. It seems to me that if banking is to be extended into this Province, the banks must have security. All form of security is practically taken away by the Land Alienation Act. Do you not think there ought to be some modification?—I think so.

502. When giving mortgage to the bank there is no security except the crops and the previous witness wanted to throw out a suggestion that the law should be altered so that the bank might have the first call on the crops? Who else would desire to have the first call on the crops?—The *bania*. I would not give the bank precedence. It would not be fair.

503. The bank might lend money for definite agricultural purposes thinking that the crops would be its security; the *bania* might lend money for marriage purposes and get most of the produce even before the bank?—If in future that is the law, the *bania* knows where he is. At present it is not known.

504. You were questioned by Professor Chablani about the *bania* being the best organised link between any suggested bank and the village. Do you consider he would be the best link or is it possible for the landlord or Khan to be the link?—The landlord is the best link.

505. Could the landlord act as an agent for the bank?—No. He is prohibited by his position in the village. He can act through an agent.

506. Therefore if the bank were to employ an agent and pay that agent a definite brokerage that agent should be the *bania*?—I think so. It is below the dignity of a Khan to undertake such business. He can only employ an agent.

507. What you mean is that *bania* has to be the link as an agent?—To me it seems the *bania* has got intimate knowledge of business far more than anybody else. The Khan does not profess to have that knowledge.

508. I think you said there would be no reduction in interest rate even if the banks were to advance plenty of money?—I cannot imagine it going much down. Without any security 36 per cent. to the *bania* is nothing extraordinary; on the available security, 18 per cent. not unreasonable and at 12 per cent. you can get plenty of people to lend on adequate security. Hence he is compelled to charge a high rate, if unsecured.

509. Are you quite sure that the banks would lend it without sound security?—The bank would not give it for marriage. This is what I have been saying. The facilities for borrowing have been too easy.

509. (a) Do you know anything about the law of mortgage? Very little.

510. *Prof. Chablani*: Mr. Gray just now asked you whether you would give the bank a prior claim on the crops and you said that in case the law is altered the *bania* would know his position. What security would you leave behind in that case for the *bania*? The land is gone, the priority on the crop will go; what will remain then?—The bond is in his hand.

511. You would deprive him of even that security if his priority on the crop goes?—I would not do so.

512. Are you in favour of any kind of limit being put on the maximum holding for non-farming *zamindars*?—No.

513. *Chairman*: Thank you very much. I hope we have not caused you too much inconvenience.

(The witness withdrew).

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**Malik SULTAN MAHMUD, Assistant Registrar of Co-operative Societies, North-West Frontier Province.**

**Replies to the questionnaire.**

514. 1. Our method of arriving at an estimate of the rural indebtedness of a village is to consult the Register of *Had-i-Qarza* maintained by every credit society in the village. Besides this the land revenue paid by a land-lord can help us in arriving at the total indebtedness of a village. Human nature being the same everywhere, the proportion of land revenue to the open indebtedness of an average landowner can help us in estimating the indebtedness of a village. Revenue papers can be consulted for finding out the amount of secured debt though it would be difficult to trace it beyond the last settlement.

515. 2. The chief community of creditors in this Province consists of the local moneylenders and its general rate of interest in the Hazara District is one *odhi* per rupee for six months. An *odhi* is a local weight in kind equal to 4 seers of grain. In some cases the rate of interest is 6 pies per rupee per month. Very rarely 3 pies per rupee per month is charged and that from big landowners. When the loan is advanced in kind interest is charged for full six months, however small the period of the loan may be, and repayment is enforced in kind. If the loan is not repaid in due time, compound interest is charged and the loan in kind is converted into a loan in cash. Interest is generally recovered in all cases while the principal is left to swell. In case of heavy debt land is taken as security by getting it mortgaged in the name of an agricultural friend. The produce is credited to the interest account while the principal remains as it is. The natural result of such a loan transaction is that the debtor ultimately disposes of his land for the repayment of his debt.

516. 3. The existing legislation and the legal procedure of the courts do not check borrowing. The Alienation of Land Act does not afford any check on the transactions between the agriculturists and the non-agriculturists. The revenue authorities seldom know at the time of mutation whether the land is being mortgaged really in the name of the mortgagee or whether the mortgagee has merely lent his name to some moneylender. Some improvement in this respect can be secured by imposing a penalty in cases of this nature which come to light.

517. 4. In this Province the replacement of small landowners by big *zamindars* and, in some cases by moneylenders, is taking place. This is all due to the financial difficulties experienced by the small landowners.

518. 5. There are many such instances to be met with in the rural area.

519. 6. The replacement stated in No. 5 takes away from the cultivator the incentive to produce more or to cultivate his land in a better manner. I do not think legislation can do anything to counteract this tendency. The only possible method is to improve the financial status of the small cultivator.

520. 7. Yes. It is done.

521. 9. Usurious Loans Act is not being availed of in this Province to any extent whatsoever, firstly because the courts appear very reluctant to move out of the settled path and secondly because moneylenders carefully avoid the provisions of the Act. The moneylender when getting



a new bond for the old debt gets it stated in the bond that the loan was advanced in cash at the time of the writing of the bond. In my opinion it should be made compulsory for the civil courts to examine the past accounts when giving any decree. The increase of education among the rural people would also greatly conduce to a free use of this Act. It is highly desirable that there should be legislation in order to regulate the accounts of moneylenders. Such a regulation can be circumvented by moneylenders, but gradually with the increase of education, the regulation will prove effectual. Fair transactions can only be insured when the accounts of moneylenders are periodically audited. For this, it is essential that moneylenders should get registered themselves and obtain licenses for doing money-lending.

522. 11. None.

523. 12. The agriculturists in the N. W. F. Province obtain finance for their various needs from the village moneylender. A little is borrowed for expenses of cultivation, agricultural improvement, and for tiding over the failure of monsoon, etc. Generally the agriculturists borrow for unproductive expenses, *e.g.*, ceremonies, etc., and this is the chief cause of indebtedness in some of the districts of this Province. The rate of interest is generally the same for all kinds of loans, whether in cash or in kind. Personal security as well as other kind of security is taken for such loans. The kind of security depends on the status of the borrower. Rates of interest charged by moneylenders are very exorbitant. Imperial Bank of India, joint stock banks, co-operative banks and various other kinds of money-lending institutions play very little part in financing agriculture. The Government and the village money-lender do finance agriculture. Out of these two the major part is played by the money-lender. Government does very little, for instance, in the Hazara District the Government advanced during the last 5 years Rs. 31,700 under various Acts while roughly the total indebtedness of this District is about 2 crores. The balance is supplied by the village money-lenders. The money-lender is the chief source for the agriculturist.

524. 13. The cultivator does not freely borrow *takavi* under the Agriculturists Loans Act. The chief difficulty for the cultivator in availing of this help is the lengthy procedure of the law courts and the exacting manner in which recovery of the loan is made. The cultivator, when he fails to get loan from other source, generally resorts to Government. If the defects pointed out above are removed, there is possibility of some improvement in this respect. Moreover all the legitimate requirements of the agriculturists are not met by the Government.

525. 14. There is no co-ordination among the various credit agencies, and I do not think there is need for any.

526. 15. The only source of financing agricultural production is the village money-lender, who charges an exorbitant rate of interest. The produce cannot fully cover the interest and labour charges and consequently people are compelled not to borrow for production from the village moneylenders. When people accumulate their own funds through co-operation the rate of interest would possibly be low and such loans would then be helpful.

527. 17. There are no big marketing centres in the Hazara District, chiefly because the production of the District is hardly sufficient for the maintenance of the population. There are three marketing centres for potatoes at Dhamtaur, Havellian and Kohala. For other commodities there are small marketing centres at Mansehra, Garhi Habibulla and Haripur.

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528. 19. An ordinary agriculturist has generally no crop to store. His surplus from a harvest goes to the moneylender, and there remains nothing with him which he can bring to the market.

529. 21. This problem cannot be solved unless the people accumulate their own funds.

530. 23. Poverty and illiteracy are the obstacles in the way of the rural population, who are greatly in need of the necessities of life. There are no surplus funds in the hands of cultivators to invest on such improved methods.

531. 25. There is considerable demand for long term credit in the whole of the Province. Short term loans are not generally appreciated by the people because six months' income through cultivation is uncertain, and they are unable to repay the short term loans punctually.

532. 26. The long term loans obtainable in this Province are for at least 10 years' duration, rate of interest being not more than 12½ per cent.

533. 27. Please see answer to question No. 13.

534. 29. The Land Alienation Act is an obstacle in the way of the village moneylender securing mortgage on the land of the agriculturists. In order to avoid the provisions of the Act he has devised the scheme of getting the land mortgaged in the name of an agriculturist friend.

535. 30. There is no mortgage bank and the public is too illiterate to accept the debentures.

536. 32. The co-operative movement is in its preliminary stage in this Province and the general tendency of the public is towards extravagant expenditure on ceremonies and litigation. Unless there is a specific check brought by the people themselves on their social rites and litigation, one would not find the existence of institutions for long term credit of any use to the population. Indebtedness whether secured or unsecured is too heavy. Landowners are heavily indebted, as their income admits of the payment of the interest gradually. This method applies to the tenant also. In these circumstances we cannot find out the best way without proper enquiry. Due to illiteracy there is lack of capable men for the management of such a bank. Any amount suggested as share capital can be obtained, but share capital cannot suffice for the requirements of the people. There is no hope of any deposit from rural area. Debentures secured by the Government cannot be introduced. There is only one way through which such banks can be financed and that is the Government loan. The period of loan can be put at 10 years, after due enquiries. It depends upon the amount and net income of the borrower. On such basis the periods can be reckoned.

537. 34. The value of land offered for mortgage can be found from the average value of land sold during the last 5 years in a village, which can be traced from the Revenue records. The amount of loan should be 75 per cent. of the exact value of the land mortgaged.

538. 35. In order to secure the Government against unnecessary loss, the Government should advance loan to the bank, and the bank should take land as security for the loan. Moreover two personal sureties should also be taken in addition. The sureties must be share-holders of the bank.

539. 36. Cottage industry is chiefly improvement of cattle.

540. 39. Such industries could be encouraged by introduction of better bulls, cows, and buffaloes, every peasant should also keep poultry.

541. 40. Dairy system of milk and butter cannot be successful at present. Only *ghee* can be exported to the Punjab. There are no subsidiary industries in the District. The small cottage industries that exist at present are unable to offer employment to the population of the rural areas who practically remain without work for six months at least in a year.

542. 41. The co-operative movement in this Province is of very recent growth having only been started at the end of 1925. Most of the Societies are in the Haripur Tehsil. There are about sixty village credit societies in that tehsil and they are doing really useful work not only of lending to their members but in teaching them business principles. The Co-operative movement in this Province has got moral backing. In other words credit societies save members from extravagant expenses on ceremonial. Some of them are now receiving deposits.

543. 42. At present there is apparently no connection between the co-operative banks and other banks in this Province. The Central Bank at Abbottabad is utilizing the services of the Imperial Bank of India, at Abbottabad as its Treasurer.

544. 43. The only defect in the co-operative movement is that it is affording no help to big landlords who are highly indebted, as the village credit societies cannot afford to lend big sums to such persons. In my opinion the starting of separate banks for village landlords for giving them long term loans would be a suitable remedy for this difficulty.

545. 44. The movement being still in its infancy in this Province, there is only one central bank in this Province, and that also has not gained confidence among the public to receive frequent deposits for long and short terms. The credit societies though small in number, have done real good to the agriculturists in wiping of their indebtedness.

546. 45. In my opinion in a village of average size about Rs. 10,000 would be sufficient to meet the needs of the villagers in a co-operative credit society.

547. 46. No competition of any kind has so far come to light.

548. 47. Concessions already granted to co-operative societies seem to be quite sufficient and essential for the success of the Co-operative movement in this Province.

549. 48. It is difficult for one to give any idea about the indebtedness of certain classes of urban communities in this Province, as the co-operative Department has not touched so far the urban communities nor have they enquired into the facilities available from the various banking institutions.

550. 49. There are certain industries in this Province, such as sugar-making, potato-growing and fruit-growing, which require organization and financial help for better marketing. The best method is the co-operative system, but the Co-operative movement being in its infancy has not so far touched this branch of the activities.

551. 50. So far the Co-operative movement has not touched the small traders and the industrialists in this Province, but in my opinion the movement seems to be capable of great potentialities in tackling this problem, as it has been in the Punjab.

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552. 51. First of all efforts should be made to organize small industrialists and craftsmen. The present lack of funds among them should be met by some central institution while at the same time there should be a corresponding effort by themselves to accumulate their own funds gradually and provide themselves with raw materials from the central institutions to develop their industries, and their manufactured articles should be brought to the market through their co-operative societies.

553. 53. There is no doubt in the fact that the grower of the produce in India does not get the full value for his produce on account of the vicious system of middle-men. The producer stands in need of money for the payment of revenue, etc., when the crop is harvested he is compelled to dispose it of at any price offered in the market. More often the unsophisticated cultivator, unaware of the fluctuations of the market, sells his produce to the village *bania* at a very cheap rate. Having done so, very little is left with him to pull through the remaining period of the year and at the time of sowing he is forced again to borrow from the money-lender at whatever exorbitant rate the money-lender may lend him. The only way out of this difficulty is to educate the cultivator and to defer the payment of revenue to some later date.

554. 54. In the Hazara District there is no transborder trade, but there is such a trade between Kabul, Peshawar, Kohat, Bannu and Dera Ismail Khan.

555. 55. There is only one community in this Province, viz., the *bania* belonging to different classes of Hindūs, which practise money-lending. The *bania* lends in kind as well as in cash. Some of the moneylenders do trade in local commodities such as *ghee*, wool, oil, wood, etc. They all live on moneylending and are shopkeepers. None of them invest in any industrial concern.

556. 56. The moneylender as a rule lives on moneylending alone. Every moneylender in a village has got a private shop of his own for the sale of cloth and other necessities of life.

557. 57. There are no big industries wherein the surplus money of the money-lending classes could adequately be invested. The only scope and the alternative left to the money-lending class is to carry on local trade and to advance loans to the cultivators.

558. 60. The village moneylender seldom allows cash credit to agriculturists. They generally lend on personal security and frequently on security of immovable property. More often they lend in kind than in cash.

559. 63. The general prevailing rate of interest which the agricultural communities have to pay to the money-lenders is between 25 to 50 per cent. more on loans made in kind than in cash. The only feasible method to reduce their rate of interest is to encourage co-operative societies. The reduction of such rate along with the spread of education would greatly benefit the agricultural community. They would under such circumstances spend more on agricultural improvement, etc., ultimately resulting in higher standard of living.

560. 64. There is a prejudice among the rural communities against the money-lender mainly because the system of calculations is so crooked and exacting that his clients do not like him, but there is no remedy for it, as long as the cultivators are forced to borrow. The dealings of the money-lender are never fair and this is one of the reasons why he is disliked by his clients. The only way to remove these defects is the introduction of some legislation for checking his accounts.

561. 65. After making all possible allowances I can confidently lay down that the money-lender makes a net gain of 25 per cent. on his capital. This is mainly due to his not enforcing re-payment before the expiry of three years, and charging compound interest. In my opinion none of the moneylenders has failed since 1920, as their business is ever prospering.

562. 66. Money lenders are always able to meet the requirements of the cultivators provided proper security is offered.

563. 67. Only by *hundis*. Supply bills are not used.

564. 69. Money-lenders in the rural areas generally deposit their surplus money with big money-lenders in urban centres.

565. 74. The indigenous banking community would be extremely hostile to the introduction of any measure for regulating their operations, and making them public.

566. 79. In an average village it is extremely difficult to find any cultivator with a surplus income. Generally they are living from hand to mouth except those who are military pensioners or in any service.

567. 81. The people in the rural area are not spending anything on agricultural improvement, but they are habitually spending on gold and silver ornaments. Estimate of silver and gold so purchased cannot be given.

568. 82. Unfortunately those people who have got surplus money spend more on luxuries. Some of the people use their surplus money in feasting villagers on ceremonial occasions such as death, marriage and circumcision. In this respect a few co-operative societies in the Hazara District have bound down their members not to indulge in such lavish expenses, but to deposit their surplus money in societies, which is practised in very rare cases. Wealthy persons who are small land owners have got good chances of investing the money in purchasing land at cheap rates, because many are compelled, on account of their needs, to sell the lands.

569. 85. When a *zamindar* advances loan to another he does so on the security of land mortgaged to himself with possession.

570. 85. The reason for the slow growth of the banking and investment habit in India is due to the lack of education among the rural people. The spread of education is the only way to encourage these habits. Small saving banks or institutions of similar nature are essential for encouraging savings and investment habits. Such facilities are not provided at present. They should be provided. Moreover Indians for centuries before the advent of the British rule were in an unsettled condition and considered the investment of money as unsafe.

571. 86. No. Educated communities usually utilize the services of Post Office Saving Banks.

572. 88. It is very difficult, because this Province is generally populated by Mohammadans and they are against taking interest.

573. 89. No such competition is known to exist.

574. 90. Rural areas generally know nothing of the Government securities system.

575. 92. Education and propaganda by non-officials are extremely essential.

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## Oral evidence.

576. *Chairman*: How long have you been here in this Province?—I started work in this Province in the year 1925.

577. Where were you before?—Previous to that I was in the Punjab.

578. Where did you start your work first?—At first I started work in Haripur Tehsil; and later on in Abbottabad, Swabi, Mansehra, Mardan and Charsadda.

579. How many societies are there at present?—Up to 31st July 1929 there was one central bank in Abbottabad and 80 societies. Now there are 120 such societies.

580. What do the people think about these societies?—Those who have joined these societies like them and numerous applications for membership are being received daily. But there is great difficulty in Peshawar. People there think that this is a money-lending agency and that our object is to remove their difficulties in obtaining loans, and now applications are made for these loans. But the people in Hazara now realise that the societies are working satisfactorily. Hazara is very heavily in debt and this was the reason why it was selected to start work in. Still there is a good deal of indebtedness. At present there are 2,500 members. Most of the societies fail because they advance money to persons who are already heavily in debt.

581. Has there been any appreciable decrease in indebtedness?—Yes.

582. What are the qualifications required for becoming a member of the society?—Only such persons are enlisted as members as can work co-operatively and are not heavily in debt. There are factious feelings amongst the agriculturists, so much so, that members of one faction do not go for prayers even to the mosque of another faction.

583. Then how do you bring them round?—I have enlisted as members persons belonging to two different factions. The head of one party is the president and the head of the other party is the vice-president. The meetings are held at a place not belonging to any one party and both parties attend there. I ventured on this procedure to remove the factious feeling.

584. Can you make any suggestions to remove indebtedness?—The only remedy is to abolish such customs as have helped in increasing the indebtedness, say, for instance, bad social customs in Hazara and litigation in Peshawar.

585. On what lines did you start work here?—I started work on the Punjab model, and added a byelaw to restrict expenses on marriages, etc. I will supply you a copy of it. It lays down that whosoever incurs any unnecessary expenditure without the previous sanction of the society shall be liable to a fine. A man who spends on dancing is also liable to a fine.

586. Did the people agree to abide by such rules?—Whoever contravened these rules was fined by the brotherhood.

587. How can there be a decrease in litigation?—There can be no decrease in litigation in respect of cases of rights or criminal cases, but small matters of a civil nature can be remedied by the establishment of arbitration co-operative societies.

588. Have you got sufficient funds to establish enough societies?—We are short of funds and without capital nothing can be done and these societies should be under our control.

589. In reply to question No. 3 you say that "the existing legislation and the legal procedure now practised in courts is no check on credit facilities". How do you explain it?—The general impression ever since the introduction of the Land Alienation Act was that the money-lender would not advance money, but now he has increased the rate of interest, which he recovers on each harvest under the threat of imprisonment in civil jail, and an agriculturist is very much afraid of civil jail.

590. On what security does the co-operative bank advance loans?—The societies' liability is unlimited. Now as regards their working, I may state that the borrower takes the loan on the security of two sureties, who are members of the society, and the loan is advanced having due regard to the sureties' annual income. The amount of loan advanced to any one person is not allowed to exceed 1/10th of the capital of the society.

591. Do the people feel any difficulty in obtaining loans from the societies?—No. In reality there is no regular office, but the Secretary, the President and the committee are supposed to be on duty 24 hours. They are the persons who advance loans and it is they who realise them.

592. Should it be made compulsory for the civil courts to apply the provisions of the Usurious Loans Act?—The Usurious Loans Act was passed in 1915, but so far it has not been acted upon. One of the reasons for its non-application is the ignorance of the agriculturist class of its provisions. Generally the practice is that when bonds are renewed the previous debt is not mentioned therein, and the courts cannot apply this Act. I would suggest that the court should of its own motion go into the question of previous debt.

593. You state in reply to question No. 12 that "the rate of interest charged by money-lenders is really exorbitant". Can you give any reasons therefor?—The only reason for this high rate of interest is that the creditor thinks that he cannot attach the property of an agriculturist, and the latter being in need of money agrees to high rate of interest. On account of the absence of security the rate of interest has risen.

594. Can you suggest any remedy therefor?—The only solution that I can think of is that the co-operative societies should have their own funds.

595. Is it possible to abolish the *bania* class altogether?—It is very difficult to do so. He cannot be eliminated.

596. If so, how can we bring them in the co-operative movement?—Rich men can keep deposits. There is no restriction on any class in the matter of purchasing the shares of the central bank. I have got 7 Hindus as members of one of the primary societies also. They are working satisfactorily though they own no landed property, and the other members also have got confidence in them.

597. Is any difficulty experienced in obtaining *takavi* loan? Are you in favour of the proposal that the *takavi* money should be distributed through the co-operative bank?—Only in case the co-operative society requires to be financed; but the staff of the co-operative society should not be burdened with this extra work.

598. Have you any suggestions to make to remove these difficulties experienced by the agriculturists in getting *takavi* loans?—I can't make any suggestions. The amount of *takavi* granted by the Government is nothing as compared with the indebtedness of the Hazara District, which is in debt to the extent of 2 crores of rupees. I think the amount of *takavi* should be increased and advanced under the "control"

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system but not under the present circumstances. The mortgage co-operative banks should advance loans to the big landlords. Ordinary co-operative societies cannot advance loans for a period longer than three years. Co-operative mortgage banks are required for granting long term loans.

599. Are there any commission shops in this Province?—There are no commission shops in this Province, but there are about 8 or 10 in the Punjab. I think the agriculturist will have no objection to their working, if properly explained to him.

600. Is there any scope for cottage industry here?—In Hazara District, where I have worked, *ghee*, eggs and fowl are generally sold there. The work of cattle breeding can also be started there. This small industry, if properly financed, can supply bullocks as well.

601. How will you finance them?—There should be industrial societies, on co-operative basis, which should advance loans on the security of crops for this purpose also.

601. (a) Supposing the debtor is unable to pay or does not pay?—In that case the money is recoverable from the sureties, but the land is not attached. There is a limit of loan fixed for each member according to his earning capacity.

602. *Prof. Chabiani*: Have you received the replies of the Central Co-operative Bank to the special Questionnaire sent by us?—No, I have not received any letter from them. I will write to them to-day.

603. Are the demands of loans made by the societies to the Central Bank generally accepted?—Yes.

604. Does the central bank know the objects for which loans are needed by the societies?—The society sends all the papers to the central bank. An audit note is sent annually and the directors keep that audit note in their file.

605. Does your staff make any recommendation to the Central Bank on the application of a society?—Yes.

606. Has your recommendation ever been rejected?—In case the dealings with the central bank are not good, the recommendation is rejected.

607. Is a copy of the accounts of each society sent to the central Bank?—The annual audit note contains complete details showing how much money was advanced as loan during the year and for what purposes.

607. (a) Are any details of the purposes of loans given in the note?—No.

608. After the loan is granted, nobody on behalf of the central bank can judge or is even authorized to judge whether the loan granted by the central bank was actually used for a valid purpose or not?—The workers of the central bank are not prohibited from examining the accounts.

609. You say that "co-operative societies have got mutual control". What exactly do you mean by it?—The representatives of the society know the state of affairs of their own society, and if the society advances money for unproductive purposes, the matter cannot remain a secret for a long period from the villagers.

610. Do the societies affiliated to the central bank really exercise mutual control amongst themselves?—Mutual control is being exercised in this way that all the representatives of the central bank are also members of the primary society, and all the demands of the society are submitted to them.



611. How do you fix the limit of the loan to be granted to a person?—We keep in view his annual earnings.

612. Can you quote any instance in which a man possessing greater ability to earn but owning less property was granted a loan in proportion to his earning capacity rather than to his property?—You will find such instances in nearly all the societies. Every year the maximum credit is fixed after examining the land revenue papers.

613. Where did you get this principle of basing your loan on the amount of land revenue paid by a member?—From the Punjab. All the societies are working on this principle.

614. You say in reply to question No. 43 that “the only defect in the co-operative movement is that it is affording no help to big landlords and highly indebted persons”. Why do you leave out altogether these highly indebted persons?—Because the societies being in infancy we cannot meet their bigger demands, but we try to meet their current needs. I mean to say that unless there are people of equal status, they cannot work together voluntarily. All the big *Khans* are in debt and several thousands of rupees are required for their current needs which our credit societies are unable to meet, and consequently they do not enlist such big *Khans* as members.

615. But indebtedness does not always mean bankruptcy. The big men generally incur heavy debts, but their incomes are also enormous. Should such people be ignored?—They are ignored for the reason that the society is unable to meet their requirements.

616. Is it beyond the power of the society to meet their demands?—Yes. Small agriculturists are enlisted as members. If a man is highly in debt, he cannot be made a member, because his earning capacity has decreased considerably.

617. Even though a man, whose present income is less than the interest he pays, may yet be capable of improving very much his economic position if given credit facilities for increasing his income?—Yes.

618. How many deposits have your 85 primary societies received from outside?—So far we have received Rs. 1,309 from outside as deposits.

619. What is its proportion to the total working capital?—Very little.

620. Are these deposits from non-members?—Yes.

621. What is your reserve fund?—The reserve fund amounts to Rs. 5,157.

622. The difference between the rate at which the co-operative organisation borrows at the one end and the rate at which it lends to the agriculturist at the other end is 7 per cent. and yet the reserve is so small. Has the balance been absorbed in working expenses?—The movement is as yet new.

623. What is the working capital?—The working capital is Rs. 2,12,670.

624. At what rate does the central bank obtain loans?—6 per cent. 6½ per cent. and 7 per cent. are its fixed deposits rates and advances to the primary societies are made at 8 per cent. and to members of the primary societies at 12½ per cent.

625. What is the reserve fund of the central bank?—Rs. 804.

626. *L. Bal Kishan*: Does the central bank take any collateral security?—No.

627. *Prof. Chabiani*: Within what period is repayment of loan usually made?—Different periods are given in the bye-laws. Six months are

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fixed for loans granted for trade purposes two years for loans granted for agricultural purposes and three years for the loans granted for liquidation of *sahukara* debts.

629. In reply to question No. 3, you say that "human nature being the same, the percentage of land revenue to the open indebtedness of an average landowner can help us in estimating the indebtedness of a village". How do you work it out?—If you ascertain the indebtedness of 100 landowners as also the land revenue, you can very well estimate the indebtedness.

629. How much is the open indebtedness?—I have not formed any opinion.

630. What is your experience?—I estimated the indebtedness on these lines in the years 1927 and 1928.

631. By what figure should we multiply the amount of land revenue to get the total amount of indebtedness?—You can find out the amount of indebtedness and land revenue by investigations. I have no particular experience in this respect.

632. Has not the Land Alienation Act proved a check on indebtedness?—It has proved a check, but not a complete check.

633. In reply to question No. 4 you say that "the replacement of small land owners, by big *zamindars* and in some cases by money-lenders is taking place", but you have just said that the big *Khans* are all in debt. How do you explain it?—Some people have returned from the Great War with a lot of money and they are purchasing the lands of small agriculturists.

634. If you think legislation is necessary for putting a check on the replacement of smaller by bigger agriculturists, why do you say that it would not prove effective?—It would prove just like the Rowlatt Act. Only that man sells his land who has got nothing left with him, and you cannot entirely stop alienation. Therefore I think that legislation would not prove beneficial.

635. How did you work out the indebtedness of Hazara to be 2 crores?—I worked it out on the ratio of the land revenue of three villages, Ladha, Phalkot and a third village.

636. Can you explain how you worked it out?—I have not got the papers with me. On an average I took the land revenue of half a village each.

637. At the rate of 37½ per cent. per annum interest on 2 crores of rupees works out at 75 lakhs. How much of it is taken by the *bania*?—The whole amount does not go to the *bania* because the greater portion of the debt is secured debt on land mortgage.

638. But the income-tax returns do not seem to support your statements?—Only those persons are assessed by the Income-tax Department whose income exceeds Rs. 2,000. Generally false accounts are prepared for purposes of income-tax and these figures cannot be verified from the income-tax returns.

639. But can there be a difference of over 1,000 per cent.?—It may be so.

640. In reply to question No. 15 you say "people are compelled not to borrow for production from the village money-lenders". How can your co-operative movement help them?—They will be made to understand the right use of the money and the loans will only be advanced for productive purposes.

641. But if a man has normally got no surplus, how will the co-operative society help him to improve his position and be rid of debt? With

675. If a *Subedar* agriculturist purchases land, will he exact service from his tenants?—No.
676. What is the nature of a Pathan? Will he do any thing without remuneration?—Service and Pathan are two different things quite opposite to each other.
677. *L. Bal Kishan*: Is the co-operative movement of this Province supervised by the Registrar of the Punjab?—Yes.
678. Did you send this memorandum through the Registrar, Co-operative Societies, Punjab?—No, I sent it through the Revenue Commissioner, North West Frontier Province, from whom I received the questionnaire.
679. Does the Registrar of Co-operative Societies ever tour in the Province and record any note?—Yes, he tours and records his notes on reports.
680. Can you state the number of societies that have failed?—The work was started only recently and no society was yet failed.
681. Are the societies classified in this Province according to their working?—There is no society of D. class; of C. class there are 21 and of B. class 23; altogether 44.
682. What is the percentage of C. class societies, out of those which have been classified?—40 per cent. are C.
683. How many of these 40 per cent. would prove successful?—They all have only recently been started.
684. How many people are there in the villages, in which you have done work, for whom the society cannot do anything?—I cannot say.
685. Co-operation is adult education and unless the people are sufficiently educated, you cannot reform them efficiently and this will take time?—Yes.
686. You say that those persons who are heavily in debt are not enlisted as members?—The members of the society have got no confidence in them.
687. Has the co-operative movement proved useful in removing faction feelings from the villages?—Yes.
688. Is it also improving the social customs?—These societies are also doing the work of better living societies.
689. What are the best means of making co-operative movement successful in these parts?—The establishment of credit societies and better living societies and also co-operative arbitration societies for litigation purposes. At first the credit societies should begin their work and thereby people would learn how to manage their affairs properly.
690. Have you ever come across any fictitious recoveries in societies?—So far there have been no such recoveries in societies.
691. *Nawab Sir Sahibzada Abdul Qaiyum*: You have said that your higher authorities have no knowledge of your memorandum?—No. They have knowledge of the memorandum. I submitted it at their bidding.
692. Do they know the contents of this memorandum as well?—I have sent a copy of the memorandum to them.
693. There must be some difference between your views and their views?—No.
694. Your views must have been guided to some extent by the instructions received from higher authorities?—The views expressed by me are based on the instructions received from the Registrar.

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695. Will the present co-operative system only help in getting rid of the *bania*, or will it also help towards thrift?—Thrift is its first principle. To have one's own capital is based on the principle of thrift.
696. If this movement proves successful, it will take the place of *panchayat* and *girga* system?—Certainly.
697. Those persons who are heavily in debt and whose income is insufficient to pay even the amount of interest, how can they be benefited by these societies?—Those who are heavily in debt will soon dispose of their properties, and then they can derive benefit from the society.
698. Is it better and useful to take loan from the society rather than from the *bania*?—The *bania* tries to increase the amount of debt and the society tries to liquidate the debt. The profit of the *bania* goes to his pocket, while here in the society the profit is indivisible.
699. So that I may take it that while the *bania* tries to lengthen the period and increase the amount of debt, the society's chief object is to settle up the account as soon as possible?—Yes.
700. Is there any harm if the amount of interest be credited to the reserve fund of the society or be utilized for the construction of a mosque or a path?—We preach to the public that if they object to accepting interest it may be given to the poor or may be utilized in other philanthropic purposes.
701. You have said that you have got six or seven *banias* as your members. Do they also take offence to accepting interest, or have they joined to wreck the society or are they also heavily in debt to the *sahukars*?—No, they are ordinary men and take interest in this work.
702. As regards reply to question No. 3, what penalty do you suggest in case of contravention of the provisions of this Act?—In the event of there being a contravention of the rules of the Land Alienation Act punishment should be provided on the lines of the Arms Act.
703. If the work of distribution of *takavi* is handed over to the co-operative society, would it prove to the convenience of the agriculturists?—Certainly, but the staff of the co-operative society should not be burdened with this work.
704. Will the society prove more useful if it takes the money from the Government and distributes it amongst the applicants for *takavi*?—Yes.
705. Is there any co-ordination between the village society and the co-operative society?—No.
706. If a certificate be granted on behalf of the society, could there be any co-ordination then?—I cannot say.
707. If long term loans be granted and the borrower has not got capacity to repay it, how will you recover the loan?—After making inquiries regarding the income of the applicant and his ability to repay, the loan is granted only to such persons who are able to repay.
708. Would it prove useful if the Government raises a loan?—In order to remove agricultural indebtedness the Lahore Provincial Bank has sanctioned 22 lakhs for mortgage purposes, but so long as there is no education, it would be difficult to sell the bonds.
709. Does the *bania* do any work himself if he is a landlord?—All his work is done by the labourers.
710. *Chairman*: Can you put an end to the existing relations between a money-lender and a *bania*?—It is impossible to think of it now. If

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the *bania* had not advanced the loan in the first instance, the state of affairs would have been different altogether.

711. *Mr. V. F. Gray*: Could it be possible to alter the Imperial Bank Act so that the Imperial Bank could help the co-operative banks?—That would be splendid.

712. Would it be possible, if the law of mortgages was made less complicated, so that the banks could advance money more freely on mortgages; would that be of any help to banks in that direction? At the present moment the banks do not advance money owing to the complications of the mortgage law?—The mortgage law may be modified; it would prove more useful.

713. *Chairman*: What modifications do you suggest?—It is a question for consideration.

714. Are you in favour of the money-lenders' bill?—I have not read it.

715. *L. Bal Kishen*: At what rate would you advance *takavi* loan to the members of the co-operative society?—At the same rate at which we shall get it from Government.

716. The Government gives *takavi* at  $6\frac{1}{4}$  per cent. and your general rate of interest is 12 per cent. How will you reconcile these two rates?—There is a difference of  $5\frac{3}{4}$  per cent.?—I have no experience of this subject.

(*The witness withdrew.*)

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clutches of the professional money-lender who then dictates his own terms.

722. 9. The Usurious Loans Act has proved a dead letter. Various devices to evade its operation are practised by the astute money-lenders. The old transactions are given new shapes in the form of bonds. Interest in advance is added to the principal sum advanced in the bonds. Then there is apathy and indifference on the part of the courts to go through the account books which are kept in a most unintelligible manner, and in a script seldom known to the court or the counsel. Provision should be made on the lines of the Punjab Regulation of Accounts Bill, and further it should be made obligatory on courts to give effect to the Usurious Loans Act in a practical manner.

723. 11. At present there are no village arbitration boards or *panchayats* in this part of the country to settle disputes between the money-lender and the agriculturist. To defend the suit the latter has to spend time and money and in many cases he has neither the time nor the money to defend his suit and consequently *ex-parte* decrees are passed against him.

724. 18. Facilities for taking produce to the markets are very deficient. Means of communications are absolutely undeveloped. An ordinary *zamindar* has to spend about one-tenth of the price of the produce for taking it to the market. There should be good roads and facilities should be provided for the agriculturist, trader, and consumer to come in contact.

725. 38. Subsidiary industries such as dairy farming, cotton ginning, sugar refineries, hand spinning are non-existent because there are no roads, and no system of technical education in this part of the country. If means of communications are developed and technical education is introduced, there would be many people found who will be ready to invest capital in these industries, and thus enable the agriculturist to supplement his income, and raise his standard of living. Another chief cause of the indebtedness of the agriculturist is that there are no rural medical dispensaries within his reach. He has to work in most insanitary and unhealthy atmosphere and environments. Without any fear of exaggeration he and his family are confined to bed for at least two months in the year, thus entailing an additional expense and a waste of time, and at the same time they are deprived of their earning capacity for two months.

727. 79. There are some agriculturists in villages who have got a surplus income over their necessary expenditure; this surplus is mostly invested in the purchase of land, in mortgages on land, and on gold ornaments. People are not very much in the habit of investing the surplus income in banks partly because of the insecure position of banks, and partly because of the religious scruples against receiving interest on deposits.

728. In the end, it is submitted that the agriculturists who form the backbone of the Empire should be safe-guarded against the money-lenders and the big *zamindar* by establishing co-operative credit societies, opening up means of communication, and establishing subsidiary industries, and also by opening dispensaries in main centres in each sub-division of the District.

#### Oral evidence.

729. *Chairman*: You are the City Magistrate here!—Yes.

730. You are replying to questions as a landlord rather than as an official!—Yes.

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731. *Naiwab Major Mohammed Akbar Khan*: He is a Khan of Umarzai in his own right at Charsadda.

732. *Chairman*: Is money-lending done by landlords in your Province with their tenants?—Yes. The landlord advances money to his own tenants for ploughs, seeds, etc.

733. Does he charge any interest?—No.

734. Have the landlords often to obtain *takavi* advances from Government?—No big landlord takes *takavi* from Government.

735. What is your experience of the working of the system of *takavi* loans?—It is only the peasant proprietors having no economic holdings who go to Government for *takavi*. They often do not obtain it at the proper time as there are a lot of difficulties in the way. The big landlord does not demand *takavi* for the improvement of his land. But this year there was a heavy flood in the Swat River and most of the lands have been washed away. We wanted to take *takavi* for improvement.

736. Have you applied for it?—We have applied and I think the local Government has also recommended our case to the Government of India.

737. Is not the local Government in a position to sanction?—The local Government are in a position to sanction up to a certain fixed limit. This year we had very heavy floods and we wanted much more *takavi*. Up to this time no *takavi* has been granted to us by the Government of India. The local Government recommended an additional amount about a few weeks ago.

738. *Prof. Chabiani*: You said just now that the landlords lend money only to their own tenants. I find from the Settlement Report of Charsadda *tehsil* that the bulk of the mortgaged land was mortgaged to agriculturists and that the mortgages are with possession, which means that the produce is taken by the mortgagee?—Yes.

739. Have you ever tried to work out as to what the percentage of the annual produce to the mortgaged money is?—I think it is 1/20th. If the mortgagee lends about Rs. 200 per *jarib* on mortgage, he gets hardly ten rupees.

740. Generally money lent on mortgage is less than the sale money?—Yes.

741. About half?—Yes.

742. If a man were free to buy land what will be the percentage of the annual produce to the sale price of the land?—The same is the case. About Rs. 10 for Rs. 200 per *jarib*.

743. Now the money lent on mortgage of land also gives a yield at the rate of Rs. 10 for Rs. 200. Even if the land were purchased at double the mortgage money, the annual income is, you say Rs. 10. Is it possible?—In the latter case the sale gives land to the man for perpetual farming.

744. If your figures are correct it will mean a return of 2½ per cent. by buying land, but that by mortgaging it the mortgagee gets 5 per cent. Shall we be justified in taking the value of the land to be Rs. 400 per *jarib*?—No. The total value of the land irrigated by canal will be about Rs. 200 per *jarib*.

745. You are taking Rs. 200 as mortgage money?—I only give it to you as an instance.

746. I want a typical instance. What will be the average yield of the land to the total value of the land?—It will be about 2½ per cent.

747. That is fairly typical. What will be the proportion of the yield to the mortgage debt?—That would be 5 per cent.

748. Generally lands are mortgaged to the extent of half the sale value. Shall I be correct in multiplying by 20 the annual yield of the land assumed in the Settlement and saying it is the mortgaged debt on the area actually mortgaged with possession?—Yes.

749. I am justified in multiplying it by 40 in order to get the value of the land?—Yes.

750. You pointed out certain abuses in the *takavi* loan system. Have you ever actually worked out in any particular case what *takavi* actually costs including the amount one has to pay in addition to the interest to Government?—He has to leave his own village, go to the headquarters, say, Peshawar or Mardan, and then he has to put in an application to the Revenue Assistant; that application would go to the *tehsil*, then to the *patwari* for him to make a report. Then he has to pay something to the *patwari*. When the report is being sent by the *girdawar* or other official he has to please him as well. When the *takavi* is granted then he has to pay something to the disbursing clerk.

751. And when he repays the money has he to pay anything?—He has again to pay something to the *tehsil* officials.

752. How long does it take for a *takavi* loan to be sanctioned counting from the date of application?—If it is sanctioned within 3 months he will be fortunate. Ordinarily it takes longer.

753. Have you ever tried to find out from the villagers whether they ordinarily prefer to borrow from the *bania* to taking *takavi*, considering all these charges?—Of course, they first go to the *bania* and if he offers money at a cheap rate, they would prefer to take it from him.

754. Ordinarily do you find people preferring the *bania*, considering his rates?—No. They like to take *takavi* in addition to what they borrow from the *bania*.

755. Between the two, Government *takavi* and the loan from the *bania*, what do they ordinarily prefer?—I think they prefer *takavi*, because a lower rate of interest is charged than that by the *bania*.

756. Between the two, Government *takavi* and the loan from the *bania*, one entailing waste of precious time and the delay of 3 months and the other higher rate of interest, does he not ordinarily prefer to take money for his current needs from the *bania*?—He would like to go to the *bania* instead of taking *takavi* from Government for his current needs.

757. The recovery of *takavi* is far more rigid than the recovery by the *bania*?—Yes. Government has every right to confiscate his land.

758. A process which is not open to the *bania*?—No.

759. At the end of your note you say that there are some agriculturists in the villages who have got a surplus income over the necessary expenditure and that mostly the surplus is invested in the purchase of land. If the produce is less than  $2\frac{1}{2}$  per cent., why do they not prefer to invest it in co-operative banks?—They prefer purchasing land, and also have religious scruples against investing in co-operative banks. Apart from it the *zamindar* does not know about banking business. It is quite new.

760. You don't mean to tell me that there are no Post Office Savings Banks?—No. There are Post Office Savings Banks.

761. You know that there are post office cash certificates to invest in?—They do not know. They would rather prefer to buy land. Instead of seeing the land going to some other person, they would take it themselves.

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762. Human nature being what it is, ordinarily when they can get  $5\frac{1}{2}$  to  $6\frac{1}{2}$  per cent. by investment in other ways they should prefer that to investing it in buying land, which gives an annual yield of only  $2\frac{1}{2}$  per cent., and involves the trouble of looking after the land?—In the first place he has very little money to save. He can't take that money and invest it in some bank. He would rather like to purchase some land because it gives him the benefit of having his own house and of owning a piece of land.

763. You just now said that I should be thoroughly justified in calculating the mortgage debt at 20 times the annual yield of land mortgaged with possession. From the figures before me it appears that the mortgages with possession in favour of agriculturists are large, and that the mortgage debt estimated on this basis goes into crores. And yet you just now say that they have no money to invest. Is not this a positive proof that one of your statements is incorrect—I have not seen the statistics. This is my idea.

763. (a) If the land is actually mortgaged with possession to a considerable extent to agriculturists, it is proof that they have money to invest. What I want to know is whether the agriculturists who are investing their money in the purchase of land and in mortgages with possession, which gives them only  $2\frac{1}{2}$  per cent. or 5 per cent. with all the trouble of management, would they not take to investments which yield them a better return if they had knowledge of these more profitable investments?—I have already said that the *zamindar* prefers to invest his money in land rather than go to some bank to invest it.

764. Why does he like it?—He does not know the bank, and he never likes to see that land going to some others. Therefore he spends more money in purchasing land.

765. You mean to suggest that out of a social feeling or class consciousness he prefers deliberately a low return on his investment?—Yes. It is simply because the land should not go to some foreigner.

766. Considering the strength of this social feeling, it is not possible for any agency to direct the investment of the *zamindars* towards more profitable channels, I mean the surplus which is now invested in mortgages with possession and the purchase of land?—No.

767. Is it not possible for a banking agency to catch hold of the money that is invested in that way?—No.

768. So far as the surplus money invested in gold is concerned, is it possible, if an attractive investment is offered, to catch hold of it to some extent?—No. I think every man who has got any money wants to spend something on gold ornaments for his wife; that amount does not bring in any income, but in case of necessity he can pawn his ornaments.

769. But after all this is unproductive expenditure. Is it possible in any way to divert it to productive investments?—I think if people renounce the idea of marrying women, then alone it is possible.

770. Till then it will continue?—Yes. It is a part of the fashion of the day.

771. *Nawab Major Mohd. Akbar Khan*: Khan Bahadur Sahib, you say in your memorandum, just at the end of the last paragraph, "In the end it is submitted that the agriculturist who forms the backbone of the Empire should be safeguarded against the money-lender and the big *zamindar* by establishing co-operative credit societies". Now may I ask you, do the big *zamindars* hanker after getting interest or do they want to dispossess the small land-owner, or is it at the request of the

small land-owner that they buy his property?—In case of necessity the small land-owner has to raise money. He goes to the money-lender. If the latter can give him money only at a very high rate and he cannot accept it, then he goes to the big *zamindar* and the big *zamindar* gives money at a very low rate.

772. Is it at the request of the small landowner?—Yes.

773. The replacement of a *zamindar* by a bigger proprietor brings him enough to put more vigour in his work and obtain better results. Suppose here is a *zamindar* who cannot get money, and therefore sells his property. If he had remained on the farm, wanting necessary facilities to improve his land, the result would have been naturally bad, but now if he sells his property to a well-to-do *zamindar* is the well-to-do *zamindar* willing to provide him with capital?—If he sells his property to a well-to-do *zamindar*, he has cut off his connection with his land; but if he remains on it as a tenant, he will work as a tenant.

773. (a) Then all his requirements are met?—But still he will not have the same interest in the land as a Landowner.

774. I mean to say, if better pay, good bullocks and more capital are available, even then you think he will not improve the production of the soil?—It is human nature that everybody likes to do work for his own benefit.

775. But the benefit is there if the *zamindar* takes only  $\frac{3}{4}$ ths of the produce?—The small landowner's interest is finished, he has naturally no sympathy with the landlord. But on the part of the landlord as far as his tenants are concerned he has no sympathy. The tenant will be only taking as much interest as will just bring him a little margin for living.

776. Is exaction of personal services resorted to for the improvement of the village in private capacity?—One never hears that the tenants-at-will are required for the personal services of the landlord.

Is it in connection with village work or does the big landlord use him as a private servant?—The tenant does not work as a private servant, he has to work on the fields only.

777. You are in favour of *panchayat* system?—Yes. There is no *panchayat* system now; if it is introduced it would be much better.

778. Do you think the *panchayat* system, which is not the old system of *jirga* which used to meet every morning to decide the cases of the village before the advent of the British Government, is desirable?—Yes, I think it is, if the *panchayat* is given proper power, and knows how to exercise that power, how to pass a decree, etc.

779. I think you are a big landowner yourself in Charsadda sub-division. Is not the land situated in your sub-division cultivated by Mohmands and Afridis from across the border?—Yes, it is being cultivated by them. They are willing to come to any landowner who gives them *takavi*.

780. *Takavi* without any interest and you think them better?—Yes.

781. Is it not a fact that in your sub-division the landowners do their level best to secure more tenants but are unable to get any without an advance of *takavi*, at least of Rs. 100 per tenant?—They always try to get tenants, make advances for their bullocks, ploughs, etc; in addition they build houses for them and supply all their requirements. The general complaint is that *dhobis*, barbers and carpenters become agriculturists very easily.

782. I want to ask you whether it is easy or difficult for these to become such?—These communities have a profession which they pursue. The

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definition of agriculturist is given in the Land Alienation Act. If a man is shown as a Pathan, he will get the land. He may be following the profession of a *tohar* or carpenter, it does not debar him from becoming an agriculturist.

783. *J. Bal Kishan*: You are familiar mostly with the Charsadda sub-division where the land is very fertile?—Yes.

784. What do you take to be the economic holding in the Charsadda sub-division?—There are all sorts of lands. I cannot make an accurate estimate. Ordinarily the economic holding will be about 20 acres, which is sufficient for a small family.

785. You say in the second paragraph of your memorandum that "(a) and (c) are not much in debt for that (a) are big peasants and (c) are tenants-at-will; and the average peasant is highly in debt". Are the persons who have an economic holding mostly in debt? Will you give us the reasons?—They spend upon marriages and death ceremonies and upon litigation, such as criminal and other cases. Then they spend upon the education of their children.

786. You mean to say that the social expenses are responsible mostly for the debt of those persons who have an economic holding. If they avoid these, their holdings will be enough to keep them within reasonable comfort?—Yes.

786. (a) Are these people more in debt because they have got some security to offer, whereas the tenants-at-will are not in debt because they have none to offer?—The latter work as a sort of labourers. Nobody advances them money.

787. Therefore it follows that the man who has got little credit to offer is less in debt, because nobody will give him money?—Yes.

787(a). Is it not necessary somehow or other to reduce the debt of the (b) class because it is a great hindrance to their prosperity? How can they achieve that?—I think it can be achieved by propaganda; they should not invest their money in land or borrow for that purpose.

788. You mean that for future their credit should be restricted?—The present system of giving credit encourages unproductive loans. If credit is controlled they will be better off.

788(a). Can you think of any system by which this can be achieved?—Co-operative system is the one by which credit could be controlled.

789. That is, by co-operation the lot of this (b) class can be improved? Yes. There is one thing I want to say. There is no group system here as in Dera Ismail Khan.

790. What is that group system?—Suppose a *Mahmandzai* zamindar has land. He cannot sell it to a *Syed*. This is the case in Dera Ismail Khan. If this group system is introduced, this will help the peasant class. The land would not go to other tribes.

791. *Nawab Sir Sahibzada Abdul Qaiyum*: You say there are agricultural classes in this province, some living in one square, others in other squares. According to the present system, if a man were to sell his land, a man from Dera Ismail Khan may come up and buy it, because under the Land Alienation Act they are classed as one community. But if you form *chaks*, all the communities will be able to buy lands between themselves but an outsider will not go to that *chak*.

792. *Prof. Chabland*: Outsider geographically or tribally?

793. *Nawab Sir Sahibzada Abdul Qaiyum*: Tribally. If somebody will form the grouping, most probably the grouping will not be confined to the whole of the Province or the whole of India. It will not give you

an advantage. If you are linked with some *Mahmandzais* living in Dera Ismail Khan or Dera Ghazi Khan, the same difficulty will arise.

791. *L. Bal Kishan*: You say that you will prefer this group system? Do you think this will facilitate their credit or it will reduce it?—I want that the man should not indulge in the habit of spending money on marriages and other ceremonies. I want to protect him. I want that he should not get money on loan at high rates of interest. He should not get more money than is really necessary. According to this group system, his own tribe will buy his land and a foreigner will not come in.

795. With regard to marketing, you said that much was spent in taking the produce to the market and suggested that the remedy was the provision of better communications?—Opening of roads takes long time.

795. (a) Can you think of any other method by which this expenditure can be reduced?—I am talking of villages in remote districts where there are no proper roads. The produce is taken on mules or donkeys or bullocks. It takes a long time but if there are railways, good roads or lorries, etc., this expenditure can be reduced.

796. What about opening more *mandis*?—They would be helpful in the centre of a sub-division, but you cannot open *mandis* in more distant places. One remedy to reduce indebtedness is the opening of more dispensaries because the tenants are suffering from sickness.

797. To your mind the other cause of indebtedness is want of medical facilities. You want more dispensaries to be run by the Government?—Yes. The tenant requires medical attendance for at least two months in a year. Moreover the opening of dispensaries will give him better technical education. They can be opened at a distance 5 or 6 miles.

798. You say that religious scruples stand in the way of depositing his surplus income in the banks. Can you imagine any scheme by which they can be removed?—If there is proper propaganda the religious scruples will be removed and co-operative banks may be started. If co-operative banks are started the fear of the people that their money will be insecure will go and the objection against receiving interest will not remain too.

799. Do you think therefore that if co-operative societies are started in the villages they will get some deposit?—Yes.

800. *Nawab Sir Sahibzada Abdul Qaiyum*: Do you think that if the interest on deposits in these societies were to be transferred to a common fund for the improvement of local village conditions, would there still be any objections on the part of investors or the members of the societies from a religious point of view?—I do not think so, especially when you give them to understand that it will be used for the improvement of the general condition of the village.

801. Do you think that the present system of financing agriculturist has had a long trial and requires revision?—I won't say whether it has failed or succeeded but the present system of financing agriculturists through the village *bania* and other means has had a fairly long trial and could more advantageously be revised.

802. Do you think that the present co-operative system recently introduced in this Province is worth giving a trial too?—Yes.

803. Do you think that if this system progresses well and is well established, it will relieve the villager of a large number of inconveniences that he is experiencing in getting financial help?—Yes.

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804. Do you think that something like a reconciliation board could be of more use to a village organisation in settling small disputes?—Yes, rather than going to civil courts.

805. Let us come to the composition of the society. If the society is composed of the village landed proprietors headed by the village headman whether they happen to be ordinary *lambardars* or others, do you think it will be popular?—Yes.

806. Do you think that people will have more trust in them?—In the case of *panchayats*, they will be composed of all classes of people, and people will be ready to entrust their surpluses to them, and they will be more accessible to the poor agriculturists too.

807. Such being the case and the society having been formed don't you think that the *takavi*, which is now disbursed by the Government, can be more usefully transferred to the society for disposal?—Yes, it will save time and other expenses, *e.g.*, the giving of presents, etc., to the *patwari*, which I have mentioned already.

808. In answer to a question by one of the members you replied that if you had some surplus money as a village headman, or as a *Khan*, you will rather invest it in land and ornaments rather than in banks. Suppose we improve the condition of the agriculturist and the small landholder and suppose he improves his condition and is not in immediate need of money unless he is involved in a case for which he will have to raise money, in the ordinary course he will not be forced to sell his land, and there is no fear on that account, and has a little education, do you think that he will still divert his capital and surplus money to some other pursuits? If he has got a society of his own, he will transfer his money to that society, which can be more usefully employed, then will the investment in ornaments decrease?—Yes. But these ornaments are not an investment. They are just like our suits. They are a part of his living. You cannot divest the ladies of their ornaments.

809. Quite so, but I would add one condition, that is if we give a little education to these ladies?—If you give a little education to the ladies and if they would prefer to live without ornaments, then it is possible that the investment in these may decrease.

810. We are trying to set up a system of society which will help us in educating people on that line and that education will extend to ladies too. Do you think there is that possibility?—Yes.

811. Another question was put to you and perhaps I misunderstood your reply to it. The *zamindar* supplies bullocks, seeds and various other implements of husbandry. The tenants-at-will have to pay land-revenue and a share of the produce to the *zamindar*. What is the share that tenants-at-will get out of the produce?—From irrigated area they get half share and from unirrigated one-fourth.

812. I wanted to make sure whether the ex-landowner would have very great interest left in his cultivation as a tenant or whether he becomes only a day labourer more or less like a serf. So his position would be like an ordinary wage-earner, don't you think so?—I have already given a complete reply to the Nawab Sahib on the point. His interest as a cultivator will be reduced.

813. Nawab Major Mohd. Akbar Khan: I shall make it clear. Generally the share taken by the landlord is one-fourth, but he does not pay land revenue. But if he takes half the share he has to meet the water-rate and other things. The share then comes to one-fourth.

814. Nawab Sir Sahibzada Abdul Qaiyum: There is no dispute about it. If he simply lives on his proprietary rights without taking the trouble



of helping his tenants with seed, land revenue, implements, then he gets only one-fourth?—Yes. But when he is taking interest in the matter he gets half and if he gives more help to the agriculturist by advancing money to him and by various other means, he will get one-fourth on unirrigated land.

816. Then, Khan Bahadur Sahib, in an unirrigated area the proprietor generally gets one-fourth and has to pay the revenue as well and for irrigated land the proprietor takes half of the produce if he is paying the revenue as well as the water cess, etc.; if he does not pay the revenue and water cess and that is paid by the tenant, then the proprietor gets one-fourth. That is the general position?—Yes, if everything is paid by the proprietor then the cultivator merely gets one-fourth on unirrigated area.

817. And for irrigated area?—He gets half.

818. *Chairman*: Nawab Sahib, what are you driving at?

819. *Nawab Sir Sahibzada Abdul Qaïyum*: I am trying to prove that the lesser the interest of the cultivator, the greater the danger of the proprietor who will lose his tenancy, and there is always a lack of tenants in Yusufzai from which part of the country Nawab Major Mohd. Akbar Khan comes, and there is already a lack of tenants over there.

820. *Chairman*: I see your point.

821. *Nawab Sir Sahibzada Abdul Qaïyum*: Then about the grouping system of these agricultural classes; I understood that you wanted to group them according to the tribal system?—Yes, according to tribal system.

822. That is quite good. Then the question was put to you whether that would increase the value of the land. If you do not confine the grouping system to a specific area, do you not think that the credit will suffer if you make it open to a customer from a far off country who does not belong to that particular tribe and debar a local customer?—As far as I know, the Land Alienation Act gives the definition of an agricultural tribe of a district and a foreigner in that district cannot take land except with the permission of the Collector. So naturally it is the definition of the district that is given there, and then in the sub-division you cannot define the area except according to a grouping system.

823. In the sub-division, then, you will again find this sub-grouping not open to the whole of the community. Don't you think that the right of pre-emption is a good safeguard?—It is a Quranic question. Supposing I am going to sell my land; then my son or brother has got a prior right, if they have got no money, then I would like that a *Mohammedani* should get my land.

824. Your own relations can claim it much more than any *Syed* or *mullo* or any body else. That is in effect the right of pre-emption?—Yes.

825. *Mr. F. F. Gray*: You say that there are no co-operative banks in your District, and that there are only village *banias*?—As far as I know there is none. I have just heard that they are going to introduce one in Mardan or Swabi.

826. *Nawab Sir Sahibzada Abdul Qaïyum*: In Swabi Tehsil there is one.

827. *Mr. F. F. Gray*: Do you think that it would be a very good institution?—Yes.

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828. Do you think it likely that they will get deposits from the people?—I have already mentioned that they require a little bit of training.

829. Can you think of any means by which these banks can be helped?—I think the people who are in charge of these societies should be capable persons who can render real help, by inducing deposits from the village people.

831. Owing to this Land Alienation Act and also by your grouping system, which still further narrows the field down, what is the security they can offer to the co-operative bank for loans?—I am afraid, I did not follow you.

832. The co-operative banks want deposits, but they cannot lend money without security. You have restricted the credit by the Land Alienation Act, and you know that this grouping system would still further restrict the credit?—I have already said that the people should not incur debts for unnecessary purposes.

833. You restrict them from incurring debts for unnecessary purposes and you are cutting down their credit and that means that they cannot get money for necessary purposes if you cut their credit altogether?—Produce will be taken as security.

834. But the bank would not give him so much on produce; the bank would give very little. On the one hand you want to restrict his credit and on the other you want the villager to be able to borrow money for legitimate purposes?—But he won't borrow money to waste on unnecessary purposes. If he requires say, Rs. 20 or Rs. 30 for his needs, he can offer crops as security and two responsible men who will stand as sureties for him and say that so much money should be given to him on their surety. The village society will know as to whether the man deserves it or not. After all the money is theirs.

835. Supposing the bank gives money for cultivation purposes on the security of produce and then the borrower goes to the money-lender for marriage expenses and he also wants the crop as security; who is going to get the crop, the bank or the money-lender?—They can divide it between themselves. But the *bania* cannot get except by filing a suit and it will take time and here the bank will be their own bank and the village people being the directors, they will at once take the produce. But they cannot legally take it any more than the money-lender.

836. But they will take some surety for the loan and this surety will be responsible for him. On the other hand the money-lender would not take any surety?—I do not think so.

837. You say that the Usurious Loans Act is a dead letter. Is there any necessity for it? In order to get credit on his land the borrower could mortgage his land to the bank; he would get more credit for agricultural purposes?—But the Land Alienation Act prohibits mortgage of the land.

838. I see. You say that the Usurious Loans Act is not being used, if it were used by the courts, then it would save the peasant class and the agricultural class. Are you in favour of the Usurious Loans Act?—Yes.

840. Supposing there was a bank in your District, would it be at all popular if it undertook the safe custody of securities, such as gold ornaments, merchandise, etc.?—Yes, I think so.

841. As regards the present indebtedness of the Province, are you satisfied with the working of the Usurious Loans Act or do you think that it should be made compulsory?—Yes, it should be made compulsory.

842. And you think that the Regulation of Accounts Bill should be introduced?—So far as the villages are concerned, the Regulation of Accounts Bill should be introduced, because in the villages these *banias* do not keep regular account books and the poor *zamindars* are at their mercy and they charge very high rates of interest.

(The witness withdrew.)

### Nawabzada SADULLAH KHAN, Revenue Assistant, Hazara.

#### (Replies to the Questionnaire.)

843. 1. It is not possible to estimate accurately the existing indebtedness of the agricultural classes in the Hazara District at present, but it can be obtained with some degree of correctness from individuals of the various villages in the District. Debts may be classified into two categories, *i.e.*, secured and unsecured. Secured debts are generally incurred in rural and unsecured in urban areas. Secured debts can be ascertained by consulting the Revenue records and an estimate of such debts can be given by villages with precision for any period since the first regular settlement of 1872. In cases of unsecured debts much closer scrutiny is required, *i.e.*, inspection of debt bonds, *bahis* and similar deeds without which the result cannot be arrived at with any degree of accuracy.

844. 2. The usual rate of interest charged to the *zamindars* in the Hazara District on the debts incurred by them is from 1 to 3 *odhis* (local weight in kind, 1 *odhi* is equal to 4 seers of grain) per rupee per harvest and in some cases from 6 pies to 12 pies per rupee per month. Rates lower than these are rare. Only certain big landlords might be charged less than the above rates on account of their influence with the *sahukars*. When the loan is advanced in kind the interest is charged upto the next harvest even though the principal is paid after a month or so and the same holds good in the case of cash interest. If interest in kind is not paid on the fixed date the grain is commuted into money and added to the principal, thus causing it to swell on all occasions of default of payment of interest. In cases of heavy debts lands are usually mortgaged to creditors. The result of such transactions is that the debtor is ultimately forced to dispose of his land for payment of his debt since he cannot afford to repay the loan otherwise.

845. 3. Legal procedure and existing legislation are no substantial checks on credit facilities. The Alienation of Land Act does not afford any real check on the transaction between an agriculturist and non-agriculturist. The latter in order to circumvent the provisions of the Act gets the land mortgaged in the name of an agriculturist friend, from whom he obtains a separate bond as security for the repayment of the money, and the bogus alienee also pays the produce by way of interest to the purchaser. The information never leaks out to any Revenue Authority at the time of mutation. The Usurious Loans Act is never availed of by the courts in this District.

846. 4. It is taking place to some extent, but mostly by big *zamindars* and in only rare cases by moneylenders when permission is accorded to the transaction by the Collector.

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847. 5. There are some instances of this nature.
848. 6. The replacement stated in No. 5 really removes the incentive to cultivate more efficiently and to make improvements. In my opinion legislation is helpless in this matter.
849. 7. Yes. It is done in some parts of the country.
850. 9. No. Strict instructions may be issued to judicial courts to apply this.
851. 10. Yes.
852. 11. No.
853. 12. The agriculturists obtain money for these purposes from the village money-lenders. Neither the Imperial Bank nor any joint stock banks has so far made any advances to agriculturists. Thus it appears that the money-lenders are the sole resource of an agriculturist.
854. 13. The cultivators do not borrow freely under the Agriculturists Loans Act. They borrowed only Rs. 20,700 under Act XIX, and Rs. 11,000 under Act XII, during the last 5 years. The chief hindrance is the lengthy procedure of the courts and other minor troubles. These loans are resorted to when cultivators are unable to obtain them from any other source. The strictness with which these loans are recovered is not liked by *zamindars*.
855. 14. No.
856. 17. Dhamtaur is a market for potatoes, while Havelian and Hari-pur for wheat.
857. 31 and 32. There is no such bank in the Hazara District.
858. 33 to 37. The Co-operative movement in this district is still in its infancy.
859. 44. The present number of co-operative societies in this District is probably 100 and there is one co-operative bank at Abbottabad. They are to some extent meeting the financial needs of the agriculturists. There are certain cases in which long term loans have been given by Government to big persons in the District.
860. 46. No competition.

#### Oral evidence.

861. *Chairman*: Are you the Revenue Assistant of Hazara?—Yes.
862. Can you kindly outline to us the lines on which *takavi* is given? Please state the whole procedure from the application down to the sanction?—When an application is put in before the Revenue Assistant for *takavi* loan it is sent to the *tehsildar* and the *tehsildar* has to pass it on to his assistants. A *fard* is acquired from the *patwari* and undoubtedly something is taken from the applicant. With the *fard* the application again comes to the *tehsildar*, and the *tehsildar* submits his report to the Revenue Assistant who sends it on to the Deputy Commissioner for final sanction and then the money is paid to the applicant.
863. How long does this process take?—It depends more or less on the activities of the officials concerned. If the *tehsildar* pays attention, I think it does not take so much time and the applicant may get the money in about a month.
864. What do you think of the proposal to transfer the work of distribution of *takavi* to co-operative societies?—I entirely agree.

865. *Nawab Major Mohd. Akbar Khan*: Well, Khan Sahib, when you mentioned this *odhi* system you meant that it is charged per harvest. Will you kindly explain?—It is per harvest.

866. Is it that in the hilly country farther from the village population the rate is 3 *odhis*?—Very rarely.

867. On land close to the villages I think it is only one *odhi*?—It all depends upon necessities.

868. When you say that when a loan is given to a big land-owner it is at some concession rate. I think that it must be due to his sound and good security?—Yes.

870. You have stated somewhere in your memorandum that the Land Alienation Act, as it stands at present, has not checked the non-agriculturists from acquiring land. How do you justify the statement?—I have not said that it had not checked but I said that it was no real check.

871. Can you state instances?—Yes. The money-lending class and non-agriculturists sometimes defeat the provisions of this Act by actually mortgaging the land of agriculturists in a *benami* transaction. I have explained myself sufficiently in my memorandum.

872. You also stated in your memorandum that the Usurious Loans Act is not acted upon. Is it due to the apathy of the agriculturists and their pleaders who are generally non-agriculturists, that it is not observed, or is it due to the lack of interest on the part of the judge in this behalf?—My evidence on this point would be based on hearsay, because I do not deal with such cases being a Revenue Assistant.

873. Do you mean to say that in the event of a money-lender refusing to buy certain landed property, the big *zamindar* buys it simply to please the small landed proprietor? Is it to meet the wishes of the small land-owner that the big land-owner buys the land?—Small land-owners go to the big landlords for their own necessities.

874. It is their pleasure and not of the big land-owner?—Yes.

875. One thing more that I would like to know. As a Revenue Assistant and a big *zamindar* I put to you this question. Don't you think the replacement of a needy *zamindar* by a big proprietor naturally brings the needy *zamindar* some capital and if that capital be added to his means, it would bring better results in the produce of the land. What is your own experience about it? When the needy *zamindar* is short of husbandry implements, etc., and when you meet that shortage, by advancing capital to him don't you think that if the same tenant remains on the same soil he will produce better crop?—The difference in status is the only disappointing factor.

876. But if he remains on the same soil?—Even then the same old story.

877. Do you know of any exaction of services from the tenants by the big landlord?—To my experience there are very few *zamindar* money-lenders and those who are do exact.

878. Do you know that there is a *brahmin* money-lender class in the Hazara District? What is your experience? Do they exact services from their tenants or is it the big land-owner that exacts services from his tenants?—The former.

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879. *Prof. Chabiani*: You stated in answer to question No. 1 that secured debts are generally incurred in rural and unsecured in urban areas. By secured debts you meant mortgage debts?—Exactly.

880. In Hazara since 1904 the Land Alienation Act has been in operation. So the total mortgage debt on agricultural land of Hazara is really due to agriculturists only?—And to some non-agriculturists as well.

881. But only before 1904. Since 1904 owing to the Land Alienation Act land cannot be mortgaged to non-agriculturists?—I beg to differ. Land can be mortgaged to non-agriculturists under certain conditions provided by the Land Alienation Act.

882. Then this means that the mortgage amount due to non-agriculturists is very small, because it is only in special cases that land is mortgaged to non-agriculturists?—Under this Act a non-agriculturist can acquire land temporarily for a period of 20 years with possession of land from the agriculturist.

883. Without any body's permission?—Yes. There is another section whereby permanent alienation from an agriculturist is made with the permission of the Collector.

884. But that is sale; I am talking of mortgage?—He can acquire by mortgage without the permission of any body.

885. Do you mean to say that an appreciable mortgaged area is in the possession of non-agriculturists?—I would not be able to give you the exact reply to this question; but there is some area with the non-agriculturists.

886. How much proportion?—That I cannot say.

887. I do not want the exact figures but give us a rough idea of the area mortgaged with the non-agriculturists in your District?—I may clear up the situation, I am not responsible for the whole District. I do the revenue work of only two *tehsils*.

888. About these two *tehsils* then?—In the Abbottabad *tehsil* there are occupancy tenants and there are land-owners as well of certain lands, and it is they (you are referring to mortgaged area) who have mortgages with possession; but the proportion is very small; say about 2 per cent. or 3 per cent.

889. I don't want your mere impression; I want approximate figures?—All that I can say is that it is very little.

890. Therefore I would be perfectly right in assuming that the entire amount of mortgage debt in your *tehsils* was due to agriculturists?—The major amount.

891. That there was very little unsecured debt in those *tehsils*; that is what you say?—Very little.

892. They are mortgages with possession, are they not?—On paper only possession is given. I do not know the exact position.

893. But the produce passes to the mortgagee. I want to know, considering the mortgage debt, what is the percentage of yield of the produce to the mortgage debt?—That I have not worked out.

894. Have you any idea of the yield of the land as compared to its land revenue?—No.

895. You cannot tell me even approximately the proportion of land revenue to the yield of the land?—No.

896. You give us here certain figures of loans granted under the Agriculturists Loans Act for five years. These loans you say are resorted to when a cultivator is unable to obtain it from any other source. Why

is that so?—For the reasons I have already mentioned in my memorandum; on account of minor troubles. The first question of the Chairman was whether there was any trouble in getting *takavi* and for that reason they go to the money-lenders.

597. Is it cheaper to borrow *takavi* straight from the Government considering all the charges that one has to pay?—There is no other agency except the money-lender and it is cheaper to borrow *takavi* from the Government than from the money-lender.

598. Then inspite of all the charges legal or illegal that the borrower may have to pay to the various revenue assistants, do you think it is still cheaper to borrow from Government?—Illegal charges to the Revenue Assistants? What do you mean? You are libelling them.

599. *Chairman*: Perhaps that is your special designation?—Yes.

900. *Chairman*: Prof. Chablani, Revenue Assistant is a special officer.

901. *Prof. Chablani*: I am sorry, I did not mean it. I meant the revenue subordinates who deal with *takavi*, from the lowest right up to the man who disposes of the application and receives back the amount lent. Considering all the charges that an applicant has to meet at the time of taking *takavi* and at the time of returning it, is it cheaper on the whole to borrow from Government than to borrow from the *bania*?—The *bania* would ruin him with the exorbitant rate of interest that he would charge.

902. Are his rates more exorbitant than what the borrowers have to pay to the revenue subordinates at the time of taking *takavi* loans from Government and at the time of returning them?—Certainly; the exorbitant rates that the *bania* charges are very detrimental to the people who resort to him.

903. Why do they then go to the money-lender for loans for those purposes for which *takavi* loans are granted by Government?—Because they sometimes cannot obtain it easily from the Government, they go to the *bania* and get it from him.

904. Is it not more convenient to borrow from the *bania* than from Government?—Yes.

906. Supposing a man has to borrow Rs. 200, how much will he have to pay in addition to  $7\frac{1}{2}$  per cent. interest?—*Takavi* is not advanced at  $7\frac{1}{2}$  per cent., but at  $6\frac{1}{4}$  per cent.

907. *Nawab Major Mohd. Akbar Khan*: *Takavi* interest rate is  $7\frac{1}{2}$  per cent.; the Assistant Registrar of the Co-operative Societies says so.

908. *Chairman*: The Revenue Assistant is the best man to give you the correct figure.

909. *Prof. Chablani*: In your *tehsil* it is  $6\frac{1}{4}$  per cent. Very well; how much does he pay to the *patwari*? Have you any general impression on the point?—I do not know.

910. *Chairman*: The witness is quite right. It would not be a fair question.

911. *Prof. Chablani*: What do you think is the average demand for *takavi* in a year in one of the *tehsils* under you which remains unsatisfied, because the demand exceeds the amount allotted for *takavi*?—That varies with the circumstances of the case.

912. Is the demand greater than what the Government allots?—Yes.

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913. How much greater?—That is very difficult to say.

914. How much Government could legitimately advance for *takavi*?—A couple of thousands under the Agriculturists' Loans Act and some two or three thousand for seed and for improvement of land, etc.

915. Who sees to it that the money is spent on the object for which it was borrowed?—No body.

916. Government does not ascertain that the money given for land improvement is actually spent for land improvement?—For land improvement they check it through the overseer, the man who is responsible to see that any embankment, etc., is required or not, but as far as seed and bullocks are concerned, we generally trust the man because it is only a question of Rs. 30 or Rs. 40 and moreover there is an order of the Revenue Commissioner that seed should be supplied to them from the Tarnab Farm; so we give them in kind.

917. Do you think that the overseer system is working satisfactorily?—Very satisfactorily.

918. How do you estimate as a Revenue Officer that *takavi* should be granted to a particular man?—Well, some require Rs. 50, some Rs. 20, some Rs. 200, or Rs. 400, and we have already advanced Rs. 40,000 or thereabouts to the big people in the Hazara District.

919. Supposing a man says that he requires Rs. 300. On what basis do you sanction or cut it down and how do you decide as to how much is really needed by the man?—Well, we do not want the advice of an agricultural officer in this respect. For a bullock we give Rs. 200 at the most.

920. Hear my question first please. There may be an application for Rs. 200. Do you necessarily grant Rs. 200? If not, on what basis do you determine that so much is really wanted and should be granted?—According to our own common sense.

921. *Chairman*: You have not understood the question. Professor means to say . . . .

922. *Witness*: I understand it very well.

923. *Nawab Sir Sahibzada Abdul Qaiyum*: Being a Revenue officer, fully acquainted with the people of the country and with their requirements he is the best authority to determine.

924. *Prof. Chablani*: Who endorses that so much should be granted?—I go and *tehsildar* and *naib tehsildar* go to the spot and determine the point.

925. In every case the whole establishment has to satisfy itself?—Surely; it is not that we haphazardly work.

926. Do you determine the amount to be granted in proportion to the security of the person?—That is a fact or to be looked into.

927. Is it a major or a minor factor?—It is a major factor, because if a man cannot pay, why should we pay him?

928. What percentage of loans taken for *takavi* are repaid?—They are paid sometimes in 4, sometimes in 6, or sometimes in 8 instalments.

929. What percentage of instalments are paid on due dates?—80 per cent.

930. Is there any occasion on which Government has remitted *takavi*?—It is remitted if the people are suffering from floods, etc., as in the present year.



931. You have given five years' figures to us. Are these figures for one *tehsil* or for the whole district?—For two *tehsils*.
932. Did Government remit any amount in these two *tehsils* in the last five years?—I don't think.
933. *L. Bat Kishan*: You said that you would like to give *takavi* through the co-operative societies?—Yes.
934. What rate of interest would you fix for giving *takavi* by the co-operative societies?—As low as possible.
935. At whatever rate they have been taken from the Government?—The same rate as charged by the Government.
936. Should it be equal to the general lending rate of the society?—I do not know the rate of interest at which the society lends.
937. It is  $12\frac{1}{2}$  per cent.; the Assistant Registrar tells us?—That is too much.
938. At what figure would you fix it then?—At the same rate at which the society has taken from the Government.
939. The society will be the surety to the Government for the repayment of the loan or the society should be only a sort of post office to give money to the members on behalf of the Government?—Once more, please; I could not follow.
940. You think that it would be a good scheme to give *takavi* to the members through co-operative societies and that the rate of interest should be the same as charged by the Government. Who would be the surety to the Government for repayment?—The person who gets the money.
941. What advantage would it serve then if it only passes through the co-operative society?—I believe, people might get money sooner or they might not have to incur any trouble.
942. You mean to say that the present troubles would be eliminated if the advance was made through the co-operative society?—Yes.
943. I understand that co-operative movement has been working now for sometime in your *tehsils*?—Exactly.
944. Have you any knowledge about their working?—They are working satisfactorily.
945. Are they meeting the demands of the people?—Yes.
946. The ordinary rate of interest which you have stated in your note is about  $37\frac{1}{2}$  to 75 per cent. you say that "the usual rate of interest charged to the *zamindars* . . . on the debts incurred by them is from 1 to 3 *odhi*, and 1 *odhi* is equal to 4 seers of grain, per rupee per harvest and in some cases from 6 pies to 12 pies per rupee per month?—There is a mistake. *Odhi* is not a rate, it is a measure.
947. And at the rate of 3 pies and 6 pies it comes to  $37\frac{1}{2}$  per cent. and 75 per cent., respectively?—May be.
948. It is a question of fact?—Well, yes.
949. Now, the co-operative rate, as I told you, is  $12\frac{1}{2}$  per cent. and there is a difference of about 20 per cent. at least between the old rate and the present rate?—I do not stick to even at  $12\frac{1}{2}$  per cent. as compared with this.
950. Do you think that this lowering of the rate of interest all at once will not encourage extravagance amongst the members of the co-operative societies because they would get the money at a lower rate than that they used to get before?—The society should lend for legitimate purposes and not for any other purposes.

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951. My point is whether these low rates would not produce a desire among the members to take more loans?—No; I don't think so.

952. Please refer to your reply to question 3. What checks will you recommend?—I would recommend some addition to the Land Alienation Act and the elimination of certain sections from the Act.

953. We should know exactly what changes you want?—What I mean by saying that "there is no real check" is that even at present a non-agriculturist can acquire land temporarily or by permanent leasing. Now in order to stop this, certain sections should be eliminated from the body of the Act so that there may be no alienation whatsoever?

954. Not even temporary alienation in favour of the non-agriculturist?—With the permission of the Collector; if permission is accorded to sell, then in that case it goes to the non-agriculturist.

955. You will remove that too?—Yes.

956. Any other change?—And some sort of arrangement should be made to stop bogus alienations.

957. And you will have a penal clause . . . ?—For punishing those who defeat the provisions of the Act by *benami* transactions.

958. Any other legislation or enactment?—I think the Usurious Loans Act should be resorted to by courts in cases of these heavy rates of interest.

959. It is already in force in the Province, but you will only draw the attention of the courts?—Yes, that is all.

960. You think that there are too many credit facilities in the villages for agriculturists, and you want to put a check on credit facilities; that in your opinion will automatically solve the question of indebtedness?—To a great extent, yes.

961. *Nawab Sir Sahibzada Abdul Qaiyum*: Just on the last point. You thought that certain penalty clauses might be added to check these false transactions. That is one. But what do you think of people who had no land before this Act came into operation and who are now trying to declare themselves agriculturists? There were certain people who owned no land; their profession was quite different. Now that this Act has come into force, they are trying to get themselves declared as agriculturists. What do you think of this? Should they be encouraged or discouraged?—They should be discouraged.

962. Do you mean that people who did not own any land before and who are now trying to change their nationality from one class to another should be discouraged?—Yes.

963. A good deal has been said about the exacting of labour by big landlords, from their tenants or peasants. I should like that question to be explained and cleared up if possible. You happen to be one of them. Don't you think that it is an exaggeration to a great extent?—That is a general question.

964. I will put it more concisely. They say there are *Khans* or big landlords who exact service. Supposing that there is a biggish *Khan*, does not the biggish *Khan* pay his retainers some wages either in cash or in kind for work done for him and provide them with comforts and in difficulties and troubles always go to their assistance?—Yes, that is the case.

965. As regards the ordinary land-owners, don't you think that they have got certain rights recorded in the *wajib-ul-arz* that a person cultivating their land or occupying their house as their tenant should render certain services to them?—Yes, it is so.

966. And that those services are compensated for by not paying any rent or by paying only a nominal rent for the houses or by not paying share of the produce which they otherwise have to pay to the land-owners?—Yes.

967. So, practically you think there are not very many real *zamindar* money-lenders who exact or extort personal labour from tenants and cultivators, on the strength of these rights?—I do not think there are.

968. There was some question of the attachment of a peasant to his land. Do you think that if a man were forced by circumstances, *e.g.*, indebtedness, etc., to dispose of his land, would he be still very keen now that he had no proprietary rights on living in the same village where he was a *sharik* first. As a Pathan I mean to ask whether a man, living in the village, where he was formerly a proprietor, would like to stick to the same village after he had disposed of his land?—Yes.

969. Will labour be still available to him in the village or will he seek labour for a living elsewhere?—He might stay on in the same village and work; as at any rate he has got attachment to the village being a resident of that village and on account of family ties.

970. And labour will have to be found for him?—Naturally.

971. And, if on account of his attachment to the village he remains there, will he be a better cultivator of the land than an outsider or a labourer?—Yes.

972. Now about the popularity of the present system of *takavi*; well if there are any disadvantages in the *takavi* system and difficulties in getting it, don't you think, if it is transferred to some local organised body, that there will be at least this advantage in the *takavi* system that the loan is recoverable by a certain date and is not accumulated and does not become an unbearable burden, while a *bania* is anxious not to settle his account and allows it to swell up?—Yes, this much advantage there is.

973. I only want to clear up a point in your answer to question No. 9 regarding the Usurious Loans Act. You said that instructions only need be issued to judicial courts to apply the Act, and in reply to Mr. Bal Kishan you said that only the attention of the judiciary should be drawn to the provisions of this Act; you do not perhaps want to make any alteration in the law?—Yes.

974. But we heard from a witness here that the judges are not empowered to take the case of one party as against the other, and if the defendant did not ask for the Usurious Loans Act to be applied, then the judge had no power to apply it. So I think you are wrong in saying that it would be enough if only the attention of the courts were drawn to the provisions of this Act. Do you want us to make it clear that the courts should apply the provisions of the Act?—Yes.

975. *Mr. V. F. Gray*: The only other point, is that you seem to want to tighten up the Land Alienation Act, whereas our object in this committee is to try and increase credit, to find more money for the villager to spend on agriculture. Don't you think that the Land Alienation Act is a bad check on improved security?—Moveable property of the *zamindar* should be the security.

976. But his moveable property is worth nothing?—Then their demands should be curtailed.

977. You have been curtailing credit all the time. We want to find means to give more money to the peasant proprietor so that he could

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put it into the land and increase its produce; money makes money?—The advance should be made for genuine demands, but not for unproductive purposes.

978. If you are going to stop the poor from getting money, are you not defeating the object of this Committee which has to suggest means to provide liquid money in the District to help the poor peasant, but you propose the restriction of credit. Should not the Land Alienation Act be modified so that it could be more helpful to Banks to advance money to the people?—They could sell to the agriculturists.

979. But ought they not be able to acquire land if necessary?—No permanent alienation should be allowed to a non-agriculturist.

980. You reduce the value of the land. Is it not true that the more restrictions you put on open sale the less will be the price land will fetch, and the less will be the amount he can borrow on the security of his land?—My idea was simply to safeguard the interests of the peasant proprietor.

981. Has not the big landlord acquired as much land as he can utilise by purchasing it from the smaller man owing to this restricted market for land?—To some extent he has, but there are other big landlords whose estates are now going into the hands of these petty proprietors. In the Hazara District I can quote instances of big landlords whose lands are passing into the hands of the peasant proprietors.

*(The witness withdrew.)*

## **Rai Bahadur KARAM CHAND, O.B.E., Peshawar.**

### **Replies to the Questionnaire.**

982. I am afraid I have no time to study the literature bearing on the questions framed, nor can I have access to books and journals which should be thoroughly consumed before one may attempt a reply to the questionnaire.

983. I have very little first-hand knowledge of the agricultural indebtedness in this province, I shall therefore content myself with making general observations on the subject for what they may be worth. It goes without saying that the agriculturists as a class are everywhere saddled with debt, hence they cannot be happy and prosperous unless this indebtedness, for which they themselves are responsible in the main, is removed. The Government is most solicitous about their welfare, but so long as they are steeped in ignorance, any marked improvement in their position is out of the question. I make the following suggestions for removing their indebtedness:—

- (a) Provision of more rural schools in rural areas to banish illiteracy and improve and widen their out-look in life.
- (b) Establishment of co-operative credit societies which go a long way in saving them from the clutches of the much-maligned *bania*.
- (c) Improvement of roads to enable the agriculturists to market their produce.

- (d) Intensive propaganda among them to awaken the agriculturists to the imperative need of curtailing expenditure on deaths and marriages.
- (e) Promotion of the habit of thrift by starting Post Office Savings Banks or agricultural banks.
- (f) Establishment of experimental farms and introduction of scientific methods of agriculture with a view to train and familiarise them with labour-saving machinery.
- (g) Advances to agriculturists in times of need and famine on a liberal scale.
- (h) Supply of improved seeds and improved agricultural implements.
- (i) Awakening their interest in healthy social activities by propaganda in their midst. The big landlords exploit the tenants and feed on their flesh. While the Government is keen in releasing the agriculturists from the grip of the money-lender, means should be devised so that the landlords may give the tenants enough of sustenance.

984. To conclude this part, the agriculturists need more enlightenment in all respects to preserve their individuality and save them from being exploited by others—be they the money-lenders or landlords.

985. Neither the Imperial Bank nor the indigenous banks established in the country finance agriculture. The money-lenders alone generally come to the rescue of the poor cultivators. I suggest that agricultural banks on the model of those in western countries be organised in India, who will be in sympathy with the poor cultivators and minister to their needs.

#### *Trans-border trade.*

986. There is a good deal of trans-border trade carried on by people in this Province. It is in the hands of merchants—big and petty. They send goods beyond the border on their own account and receive the produce of those territories in exchange. It is a risky trade as debts cannot be easily realised. The upheaval in Kabul has caused a very heavy loss to Peshawar traders to whom large sums of money were due but there is very little chance of realisation as Kabul merchants have been practically ruined. Trans-border trade is and ought to be on the system of barter, and not on credit system.

#### *Post Office Cash Certificates.*

987. They are very popular and are purchased very largely by persons of small means. Efforts should be made that investors don't experience any trouble at encashment, otherwise they will be discredited.

988. There is keen competition between Imperial Bank and the indigenous banks. The people believe, and believe rightly, that Government is at the back of the Imperial Bank, so it is prospering, but the bank does not play any great part in financing trade or helping men engaged in business. It is the indigenous banks which finance trade, industries and attract capital. There is a great need for industrial banks in the country for the purpose of financing industries and Government ought to show the way to the people.

*Rai Bahadur Karam Chand.*

## Supplementary Memorandum.

### A.—AGRICULTURAL INDEBTEDNESS.

989. 2, 3 & 4. In my opinion the village money-lender varies his rate of interest in accordance with the financial standing of the borrower and the probability of the money being returned within the time for which it is lent. His nominal rates vary between 9 and 15 per cent. but ordinarily he would consider himself fortunate if he could actually realise a net return of 9 per cent. on his capital. Rates of the *zamindar* money-lender are generally higher although the security on which he lends is very much greater.

990. Owing to the introduction of the Punjab Land Alienation Act in this Province, there is no replacement of small agriculturists by money-lenders. But the replacement of these by bigger *zamindars* has been greatly facilitated and accelerated by the narrowing of market for land. The position has been aggravated by the fact that while the *bania* money-lender considers land only as the security to fall back upon ultimately, the bigger *zamindar* has an eye mainly on land and lends money chiefly with the object of getting the land of the borrower. The financial difficulties of the small agriculturist coupled with the loss of his credit with the *sahukar* has placed him entirely at the mercy of the bigger *zamindar*. *Zamindars* did not nominally charge interest but in lieu of it they really exacted higher price by insisting on the produce of the mortgaged land being made over to them. Now-a-days there is an increasing tendency amongst them to actually take interest which in most cases is higher than that charged by the *sahukars*.

991. 7. In addition to the interest charged by the *zamindar* money-lender he exacts very often personal service from his poor borrower making him and his family practically slaves for the period during which money is not paid. He has also not the moderating influence of the fear of his borrower's vengeance or spite, for as a general rule he has a greater capacity to terrorise than to be terrorised.

992. 10. I am strongly opposed to any suggestion in favour of legislation in connection with the compulsory publication and regulation of accounts of money-lenders in this Province. It is often assumed by the advocates of such legislation that the money-lender is an educated man trained in business methods of account-keeping. As a matter of fact he is only technically literate knowing a few figures and few letters in their peculiar script. He is a very small man dealing in small transactions and can never afford to keep a paid clerk or an accountant. In fact he does many things in addition to keeping some kind of accounts such as trading, weighing, going to the market, etc. As a matter of fact even the bigger *sahukars* keep a very limited establishment and are able to survive the competition of the banks only because their establishment charges are so low.

### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

993. 12. I have already said that the *bania's* rates of interest vary between 9 per cent. and 15 per cent. and that it is very doubtful if he actually realises in this Province anything approaching 9 per cent. His borrower's security is getting to be almost nil, litigation in the law courts entails expenditure, trouble and delay in addition to the certainty of the nominal rate of interest mentioned in his bond being reduced, either by the courts, or by the arbitrators, to about 6 per cent.

and the certainty of his not realising his money even by instalments when he proceeds to execute his decree. Apart from this there is the Regulation 8 of Frontier Crimes Act and the danger to his own life and property if he creates an impression that he is rigid and unaccommodating in his transactions with his ignorant and lawless borrowers. Considering all these facts, I consider the rates of interest extraordinarily low and but for the innate conservatism and unwillingness to leave his own surroundings and go elsewhere, I feel certain that he will get a better return for his capital in urban areas.

### C.—FINANCE FOR MARKETING.

994. 18. At the present time quite a considerable portion of the crop is brought to the mofussil markets by the agriculturists themselves. In these *mandis* there is widespread knowledge of the prevailing market rates and the agriculturists are certainly getting these rates from their purchasers. When he does not do the marketing himself, it is largely because his own produce is very small in quantity for which it is not worth his while to go to the market and which he, therefore, entrusts for sale to the village money-lenders who have a fair knowledge of prevailing rates.

### D.—LONG PERIOD LOANS FOR AGRICULTURE.

995. 29, 30. If the agriculturist wants long period loans he must give adequate security. In this Province owing to the Land Alienation Act, land cannot be mortgaged or sold to non-agriculturists. Debentures raised against the mortgage of agricultural lands are bound to prove mere worthless scraps of paper so long as there is no free market for the sale of land which is the ultimate security in all cases of failure either of the individual mortgagor or the mortgage bank.

### C.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

996. 48. The rates of inter-lending among the *sahukars*, who by traditions and sense of honour are bound to pay back money on the due date, is little less than six per cent., i.e.,  $7\frac{1}{2}$  annas per hundred per mensem. The rates on mortgage of property have a tendency to go up owing to the vexatious delays of the law courts and the difficulties of the mortgage loan in India. The rate is generally between  $7\frac{1}{2}$  per cent. and 12 per cent. according to the position of the property. These rates apply to mortgage of house property with possession which makes it tolerably safe. The small traders pay on their hand-loom very much higher rates say between 12 per cent. and 15 per cent., while the poorer classes or labourers, etc., pay even higher charges ranging between 20 per cent. and 24 per cent. In all these transactions there is much less trouble in recovery than in the case of loans to agriculturists. The *sahukars* borrow from one another or from the banks and adequate facilities exist for them. Loans on mortgage of property are becoming more and more difficult owing to the defects in law. Small traders go generally to the *Shroffs*. The labouring classes and the lower middle class not engaged in business have the greatest difficulties in getting credit facilities. The housing problem is becoming more and more acute in cities and there is a need for special credit facilities for long period loans for construction of houses especially for the poor middle class who pay a very large proportion of their monthly income for rent and who wish to live in better sanitary surroundings but cannot because of the lack of capital.

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1004. 61. Formerly the indigenous bankers used to provide themselves with funds out of

- (a) their own capital,
- (b) the deposits received by them,
- (c) the sale of *hundis*, and
- (d) borrowing from among themselves or from banks.

At the present time deposits have practically disappeared and very little is raised by the sale of *hundis*.

1005. 62. The rate of interest on deposits is about the same as the rate of inter-lending among *sahukars*. Big *shroffs* now-a-days try to avoid deposits.

1006. 64. Barring a few exceptions, the indigenous bankers enjoy high reputation for trust-worthiness. In fact the best merchants prefer to deal with them rather with the banks, because

- (a) they keep the secrets of their clients,
- (b) they have the welfare of their clients at heart, and
- (c) they are bound to them by long standing ties.

The business of *shroffs* is certainly on sound lines, much sounder than that of some joint stock banks, because of their intimate knowledge of their clients and their personal self-interest in resisting temptation to take risks.

1007. 65. The indigenous banker is a very prosperous man if he gets a net return of 6 per cent. Most of them gain less than  $4\frac{1}{2}$  per cent. and have actually invested a very large part of their own capital in Government securities which do not yield more than ( $4\frac{1}{2}$  per cent.). Quite a large number of them have failed on account of depression of trade since 1920. In Peshawar City alone, I know of at least 15 per cent. who have failed. Quite a large number of those who have not failed, have suffered serious losses. The business is certainly declining, partly because of the depression in trade, and partly of the severe competition of the Imperial Bank and the joint stock banks and because their ultimate client, the village money-lender, is finding the security of the agriculturists worthless since the introduction of the Punjab Land Alienation Act.

1008. 66. As already explained, the unacceptable nature of the security offered by the agriculturists is the main cause of the money-lender being unable to meet demands for accommodation. There is insufficiency of his working capital even, because of the fact that he neither finds it profitable to borrow from the town banker for financing agriculturists nor do the town bankers and city *shroffs* find it worth their while to accommodate the money-lender when his business is so insecure.

1009. 67. Internal remittance in this Province is generally done by means of currency notes and supply bills. Very little is now done by *hundis*. The Imperial Bank's rate for supply bills has practically killed the remittance business of the indigenous banker. The only way to remedy this state of affairs is to restrict the Imperial Bank's sale of supply bills to banks and indigenous bankers. The interest of the public can be safeguarded by laying down the maximum rate for remittance charges which the indigenous bankers can charge.

1010. 68. Quite a large part was played by *hundis* in the internal trade of the Province in former days; but this has ceased to be the case now. Money does flow from one rural centre to another at times

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but much is not done in this respect because the busy season in different rural centres generally coincides. Between Peshawar and Haripur money does move to and from because the *glac* season in Haripur does not coincide with the busy season in Peshawar. Money also flows to and fro between Peshawar and Dera Ismail Khan in the busy season in spite of the fact that the busy season is the same in both places. Generally money goes from Peshawar to Dera Ismail Khan in the form of Kabuli coins, because the return in Dera Ismail Khan is somewhat higher. Difference of 1 per cent. in rate of interest in the two centres is quite enough to move money from one place to the other and the maximum difference in rate of interest is limited to 2 per cent.

1011. The Bills of Exchange payable at more than one year after date or sight, are uncommon here and the commercial community attached no importance to them. I am strongly in favour of the reduction of the duties on *hundis*. The commercial community at present evades the duty by using promissory notes on demand with an understanding that it will be treated as *hundis* for a period of time, but this is risky and the bill will be used if the duty is reduced considerably.

1012. 69. Both the indigenous banker and money-lender can find employment for their funds for only about nine months of the year. During about 1½ months preceding each season, money from the mofussil does flow to the provincial capital. I can think of no improvement in this respect unless the money-lender is given better security for his loans to agriculturists.

1013. 70. As I have explained previously, it is only when the bank rate is low that the *shroff* finds it profitable to borrow from Imperial Bank, otherwise he does not borrow from the Imperial Bank and he carries on operations unaffected by the Imperial Bank rates.

1014. 72. I certainly think that the bankers could be made more serviceable to the community. But you cannot shut them out from every kind of lucrative banking business in cities and make the security on which the village money-lender lends to the agriculturist worthless by restrictive legislation and yet expect him to extend his services to the community. If Government accorded recognition and offered facilities for recovery of money and Imperial Bank utilised them as their agent for certain kind of business, say, remittances, they would certainly secure much larger clientele. Once this policy is accepted, it will not be difficult to arrange terms and conditions by negotiation with the indigenous bankers. Naturally terms and conditions would vary with the financial standing of the *shroff* or indigenous banker.

There are also the Frontier Regulations under section 8 of which the *zamindars* can apply to the Deputy Commissioner that even the civil cases between them and others should be dealt with by a *jirga* according to that section.

1021. You are the first to mention about section 8 of the Frontier Regulations Act. Under that section the *zamindars* have a right to approach the Deputy Commissioner?—The Deputy Commissioner or District Magistrate has got authority to appoint *jirgas* and there the disputes are settled. The council of *jirgas* force us to reduce rates, especially to the *zamindars*.

1022. Have you any personal experience?—Yes. I have been many times a member of the *jirgas*.

1023. *Nawab Sir Sahibzada Abdul Qaiyum*: Have suffered too?—Of course, *Nawab Sahib*.

1024. *Chairman*: One or two witnesses have said that big *zamindars* are lending to smaller peasant proprietors. Do you know it for certain that it is so?—That is true. I mean to say that everybody has got a desire to improve his position by lending. The *zamindars* are investing their money by means of advancing loans on mortgage of property.

1025. Does the big *zamindar* borrow from the banker and lend to the peasant proprietor?—Big *zamindars* no doubt borrow and I have certain cases in mind which I do not want to disclose. I cannot say exactly whether they have invested in lending to the middle class *zamindars*.

1026. Do you think there are adequate banking facilities for the purposes of agriculture, industry and so on?—They used to be before the Land Alienation Act, but now the bankers do not accommodate the *zamindars*, because of the insecurity of the loan.

1027. Do they consider the security inadequate?—Yes.

1028. Is that the reason why the rate of interest stands at the figure it does now? Do you consider it is high?—It is quite fair. Whatever I have mentioned in my memorandum is quite fair. Money-lenders will be quite happy if they are going to recover 6, 7 or 8 per cent. There is a lot of trouble in realising the money. Supposing even a high rate of interest is charged, the net return comes to about 7, 8 or 9 per cent.

1029. How many banks have you got here?—There are three Indian banks, namely, the Punjab National Bank, the People's Bank and the Co-operative Bank; two big exchange banks, the Chartered Bank and the Grindlays; and then there is the Imperial Bank with one branch in the Cantonment and one in the city.

1030. Are you satisfied that they are working well?—I am not satisfied. The starting of these banks is a loss to the bankers.

1031. You mean indigenous bankers. Apart from that, generally speaking, are they giving satisfaction to the general borrowing public?—The joint stock banks are working on the same lines as we indigenous bankers do. The rules and regulations of the Imperial Bank are such that its branches do not satisfy the general public. They are not advancing money even to respectable bankers on landed property. They accommodate important customers provided there are two people to join. If I give a pro-note another man has to endorse it as security. The Imperial Bank sees to it that both the parties are well-to-do and respectable people.

1032. Is it easier to obtain loans from the Indian-run banks than from European banks?—That is my knowledge, experience and information.

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1033. What is this co-operative bank that you just mentioned?—Is it an agricultural bank?—It is just like the Punjab National Bank, the People's Bank or other joint stock banks.

1034. *Prof. Chablam*: Rai Bahadur Sahib, in the memorandum which you first submitted, you stated that the transborder trade should be on a system of barter and not on credit system, because otherwise it would be unsafe. In other words, you mean that the exports from Kabul and imports to Kabul should equalise. They can't equalise every time. How do you propose to secure the object you have in view?—Generally bankers are traders and merchants are also traders. Most of the things come in the form of goods, because the transborder people are sending merchandise like carpets, skins, dried fruits, etc., and taking from here commodities like piecegoods, sundries, etc.

1035. Are there not Hindu merchants at Kabul on whom *hundis* can be drawn?—There are. Sometimes they do draw *hundis* on them; and it is profitable to do so because the Kabul *hundi* rates are always fluctuating.

1036. A transaction in exchange is normally profitable to the bankers?—Quite.

1037. Are there not also Peshawari merchants on whom *hundis* can be drawn, I mean both Hindu and Mahomedan merchants? Do they not charge interest on these *hundi* transactions or does the prejudice against interest work even when a Muslim takes to banking?—Surely there is no prejudice. All the merchants and traders, Hindus as well as Muslims, are charging interest.

1038. You say that Post office Cash Certificates are very popular and purchased very largely by persons of small means?—These are popular among Government servants who do not prefer trade. They are preferred by the service class.

1039. What about other Government loans? Are they popular with the public? I mean Government of India Promissory notes?—They are especially popular among those who have a large amount of capital.

1040. Do you think that the rates of the Government loans and of the Post Office Cash Certificates are such as to discourage your indigenous banking business? If not why is it that the public instead of depositing their money with the indigenous banker prefer to invest in Government loans?—That is the only thing they know. They have not got any idea of the trade such as I have mentioned.

1041. I am talking of the position of the investor. Does he invest in postal cash certificates because these rates are fairly attractive to him or is it because they are a safer investment?—Mainly because he thinks they are much more safe.

1042. Comparing these rates with the pre-war rates, do you think that these are so high as to interfere with your capacity as an indigenous banker or as a director of a joint stock bank to attract deposits?—Before the war the Government were paying  $3\frac{1}{2}$  per cent., but during the war various loans were raised by the Government up to 6 per cent. This was a good attraction for the bankers as well as the service class.

1043. I am talking of the post-war period now. Do you consider that the Government rates are not far too high to allow you to do business profitably?—No. The Government rates are not so high.

1044. You say that the Government is at the back of the Imperial Bank, so it is prosperous?—Naturally.

1045. But you say again the banks do not play any great part in financing trade, in helping. What does the Imperial Bank then do?—This applies to the Imperial Bank here. In the Punjab I have heard in various markets that the bank is giving temporary loans to the *zamindars* on their produce such as wheat and cotton. But here it is not doing so.

1045 (a). You say that the banks are not financing agriculture and trade?—In Peshawar it is so. They are not financing the agriculturist or the trader.

1046. What do the Peshawar banks do, merely extract deposits and pass them on to other places?—The Imperial Bank receives deposits and gives loans to a number of customers under certain restrictions. I just now mentioned pro-notes being demanded with two names. It is very difficult to satisfy the Imperial Bank.

1047. The general system of the Imperial Bank is that there is a limit placed upon each borrower, *i.e.*, a limit of credit; then there is a fixed limit for the endorsing *shroffs*. There is thus a double limit. The capacity of the Imperial Bank to lend to traders is really the utmost limit of the endorsing *shroffs*?—Yes. The Imperial Bank considers that this sort of lending alone is safe.

1048. How many endorsing *shroffs* are there in Peshawar?—Only about half a dozen are doing business with the Imperial Bank; and these are first class *shroffs*. That is my knowledge and I do not think that my information is incorrect. I know for certain that they are not advancing freely to the other *shroffs*.

1049. Are they limiting the number of endorsing *shroffs*?—Yes.

1050. If new *shroffs* are coming up?—It is their business to satisfy the bank. The Imperial Bank has got the support of the Government, and has got to open a certain number of branches. At Nowshera they have got a branch but they do no business. There are two branches in Peshawar, of which one is in the Cantonment. This branch has no work except to look after the Government treasury. There is another in the city and it is making profit. The Cantonment branch is practically the treasury office of the Government and makes no profit.

1051. When you say it is the indigenous banks which finance trade do you mean the indigenous banker or joint stock banks?—Both. They do business in the same manner as other banks.

1052. What do the exchange banks do here?—There is a lot of trade in carpets which are brought from foreign parts. These banks, the Chartered Bank and Grindlays, started business four years ago as there was a lot of exchange business.

1053 You gave us certain rates of interest. Are your own rates nearer these?—I am not charging 9 per cent. to any of my clients, my average is 6 per cent.

1054. What is the actual realisation?—My average comes to about 6 per cent. actual net realisation. For instance I have got Government Promissory notes. I have invested a lot of money in  $3\frac{1}{2}$  per cent. bonds but on some other investments, I get more, up to 9 per cent. Generally the out-turn on my capital comes to about 6 per cent.

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1055. Why have you invested in Government securities when you can more profitably engage in financing trade?—I cannot employ the whole of my capital. This is my reserve fund for the safety of my business.

1056. Have you had any occasion as a respectable banker to settle some of the disputes between the money-lenders and the agriculturist as to the rates of interests to be paid?—Yes. As a member of the *jirga* in many cases we have settled such disputes. Once I was a member of a *jirga* appointed by the Deputy Commissioner, Sir George Roos-Keppel, when Sir Abdul Qaiyum and myself settled amicably the dispute between the Khan of — and his creditors. The Hindu money-lenders agreed to reduce the interest. The agriculturists accepted the decision and the money-lenders got pro-notes for the amounts. The rate settled in the bonds was as high as 12 per cent. or 15 per cent. but every money-lender accepted 8 per cent. simple interest in settlement of his claim.

1057. Did they actually realise this 8 per cent.?—They all agreed to accept it, whether by force or willingly, but they realised only 6 per cent. after the decision was arrived at, although there was a clear understanding between the Hindu money-lenders of Kohat and the Khan to pay from 12 to 15 per cent., the money-lenders had to accept 6 per cent. eventually.

1058. *Nawab Sir Sahibzada Abdul Qaiyum*: That is the disadvantage of living in an unsettled Province.

1059. *Prof. Chablani*: You say that the rates of *zamindar* money-lender are generally higher, and that the whole system used to be that the *zamindar* would not nominally take interest but mortgage the land with possession, taking the produce in lieu of interest?—This is so to my knowledge, but the Nawab Sahib of Hoti knows it better.

1060. *Nawab Major Mohammed Akbar Khan*: I am a banker with you but not with the landowners.

1061. *Prof. Chablani*: What percentage on the mortgage money will the produce from the mortgaged land work out to be?—It must be about 20 per cent.

1062. *Nawab Major Mohd. Akbar Khan*: 20 per cent.?—Why not. Any body can verify it.

1063. *Chairman*: How do you know that?—I know for certain about land in the Punjab affairs, because there I am a sort of a landlord. There are 5 *chaks* surrounding my village and they belong to rich *zamindars*. Once they came to me and were willing to mortgage their land with possession. But I did not agree owing to certain circumstances. Generally these *zamindars* who want to give loan do not call what they get for their loans interest but profit; moreover their real object in giving loans to the middle class *zamindars* is to get their lands.

1064. *Prof. Chablani*: Do you make any distinction between a *shroff* in the city, the town banker or money-lender in a small town, and the village money-lender? Has that village money-lender got borrowing relations with the town bank or the city *shroff*?—The village money-lenders borrow from the town banker.

1065. At what rate of interest do they really borrow from the town banker?—I have mentioned somewhere that the rate is about 12 per cent. or a little more. The small money-lenders generally take the produce of the village to the town money-lenders who do not charge any interest on money lent by them as the profit on the produce covers the interest. In most of the places they give merchandise instead of cash.

1066. Is the village money-lender in this Province usually a big man with a large capital or a small man who stands in need of borrowing from others?—He is not a big man. He has to be a small trader as well as a money-lender to maintain himself.

1067. Does he do anything else?—Some *zamindars* give their own produce to the money-lender for sale, the money-lender takes it to the market for sale. But big *zamindars* never go to the money-lender; they themselves go to the market.

1068. What is the usual rate of interest for a mortgage loan on house property in the town?—It depends on the site where the property is situated. There are places where it is high. Suppose a man is going to mortgage his residential house, he will have to pay a higher rate of interest than in the case of a shop in a business quarter.

1069. Taking your own experience as director of a bank here, is it your experience that in the banks there are more deposits than are ordinarily employed in financing commercial transactions here?—Our bank has got more money. We usually send the surplus to Lahore from here.

1070. If there was room for its safe and profitable employment here, this won't go to other places?—Certainly not. Whatever surplus money I have got I cannot invest. I am sending money to Lahore in order to lend out as all the money I have cannot be invested.

1071. As a banker—I am not asking you individually—do you get any appreciable deposits from the bigger agriculturists here?—Our bank does not. Perhaps one of the bigger banks might have got some deposits, but I am not certain about it. A really big agriculturist never comes to my bank.

1072. Is the business of indigenous bankers prospering at present?—Since the war broke, most of the indigenous bankers have been doing trade business, so that if there is a trade depression they too are affected.

1073. Do you think that it is a safe business for a banker to take to?—They cannot help it.

1074. Why can't they invest their funds in banking? Is there not sufficient scope for the indigenous banker and banks to carry on purely banking business here?—There is not sufficient scope and that is why the bankers are suffering.

1075. Can you explain why?—Because the banks compete with them and have deprived them of their deposits and their remittance business to a large extent.

1076. As a banker I will put to you this question. Taking a joint-stock bank's business, even that of the Imperial Bank, on the one hand and that of the merchants, who buy and sell goods which are in existence somewhere, on the other hand will it not be more profitable for all the parties, if business is done by means of trade bills which are discounted by the banks than by way of cash credits at the bank in which case no real *hundi* may pass at the time of the transaction?—Yes, but at present few *hundis* of this sort are passing.

1077. The limit of a merchant's business is therefore the limit of his own capital and that of his cash credit at a Bank. He cannot expand it by taking trade bills freely to a bank for discount to the extent to which his business naturally warrants?—Sometimes the banks try to discount bills, but this depends not on the extent of his business at a particular time but only on the safety of the customer whether he is considered to be generally a safe party or not.

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1078. What the banks then really consider is safety from the point of view of the standing of the party or the endorsing *shroff* and not that a certain transaction has behind it goods which are in existence, which may make the value of the security offered by him very much more than that of his own capital. I was just trying to find out from you whether it was possible that instead of the system of overdrafts up to specified limits, time *hundis* with evidence of goods behind them can be brought into greater use among the merchants so that the banker who advances money against them may rediscount them from a bigger banker or a special rediscounting bank if need arises?—You mean the time *hundis* for discounting among the bankers.

1079. I am contemplating the possibility of using trade bills at every stage of business. The merchant may sell his goods for *hundis* which may be due 60 or 90 days after. The indigenous banker may discount these *hundis* if the merchant needs money. And the indigenous banker may himself go to some other agency for rediscounting them in case his funds are not adequate to finance the discounting business?—The indigenous bankers were doing so formerly, but now-a-days the stamp duty which used to be 6 pies for Rs. 100 formerly is one anna. On account of the stamp duty having been increased by the Government, people are now taking loans on pro-notes. The pro-note is not a proper basis of business, because the wording of the pro-note is "on demand". It is rather risky and therefore cannot be offered freely for rediscount. I cannot sell it to the local banks or mortgage it to them.

1080. Obviously the bigger banks who are rediscounting would naturally feel more secure, if behind the bill there was a regular business transaction in merchandise, that is to say, merchandise that was actually in existence?—Quite so. The trouble is that these bankers and banks do not extend such business because they do not wish to rediscount the bills with their competitors.

1081. I am assuming a new kind of bank which is not a competitor as some of the existing banks are. Assume that there is a bank which is quite ready to rediscount to any extent provided that behind a bill there is a certainty that some merchandise is actually in existence for valuing which a small margin may be left for safety and the rest rediscounted; and that the *shroff* is not merely offering his own personal credit but that behind the *shroff's* personal credit there is also some merchandise in existence?—Merchants generally prefer to deal with their own *shroffs*, and would not like their business to be known to other bankers.

1082. But is not some rediscounting done even to-day?—Yes.

1083. Let me then explain my question in another way. The way in which the banks at present rediscount is this. There is a limit for the borrowing merchant or *shroff* and there is a limit for the endorsing *shroff*, based upon the personal credit in the market for each, not upon the volume of safe business that needs financing. I am now contemplating a system in which the merchants, the seller as well as the buyer create a time *hundi* behind which there is proof that merchandise exists. When you discount a *hundi* you are quite sure that it has not merely the security of the buyer's credit but also the security of the merchandise in existence. When you have not sufficient funds you go to a bank which will see not only that you are a *shroff* of standing but also that the bill has behind it merchandise. If that certainty is available to the bank, it may be quite prepared to discount the *hundis* beyond the limits of your own personal credit and your business would be capable of great expansion. Of course I assume that the bank would



not compete with you. It will only do discounting business. Is this system capable of being extended here?—I do not think it will be profitable for the bankers and *shroffs* unless the bank keeps their secrets and those of their clients', which is not easy when you have a big staff in a bank.

1084. As a *shroff* who is going to discount *hundis*, would you feel more secure if the bills which you discounted had behind it merchandise in existence?—Yes.

1085. The secrets of the merchants will remain with you. There is only this additional thing that you, when your funds are not sufficient, will go to a big bank and ask it to rediscount the bill. If that bank is never a competitor for your business and gets rediscounting business from you obviously such a bank's interest lies in keeping all your secrets?—I think it is the duty of all banks to keep secrets.

1086. The bank does not compete either for deposits or for remittance business with any of the banks or indigenous bankers. Its position will be such that it will deal with the public only through the banks and indigenous bankers?—If they never do business directly, the system will work to the benefit of indigenous bankers. But the banks are all competing with us, even the Imperial Bank.

1087. You say that the joint-stock banks have destroyed your remittance business, and are even competing for deposits as a result of which you have given up deposits, but the bank I am contemplating will not compete with you?—I do not think any bank is avoiding this business. Local banks are doing this.

1088. I am assuming it for a moment?—For what business is the bank going to be started.

1089. For extending rediscounting facilities?—I am sorry I cannot say. I want to know why there should be a new bank started when we have got so many banks.

1090. The object of the proposal is to create in India a bank for rediscounting facilities. *Hundi* arises out of a short period loan, and is one of the most liquid investments which can be turned into cash easily. The bill habit is not so strong in India because there are no rediscounting facilities. If there were a bank which can rediscount the indigenous banker's *hundis* to any legitimate extent consistent with safety and which was not looked upon by anybody as a competitor, then bankers would be in a position to do more business?—In that case there will be lots of facilities for the bankers.

1091. In order to achieve that, the first step is to encourage the ordinary merchants to use these time *hundis* rather than the present system of getting a cash credit without any bill passing. What do you think should be done to encourage the use of time *hundis*?—I think some provision should be made that the Imperial Bank, or whatever the bank may be, should deal with first class *shroffs* who will deal with the traders and merchants but that they should not deal direct with them.

1092. You are contemplating the prevention of competition of the Imperial Bank or the rediscounting bank. I am assuming that if this new bank is started, it will not be allowed to compete with the other bankers or banks. If the Imperial Bank takes up this work, it will cease to compete. I am now contemplating a different problem. Would you be able to encourage the merchants to create time *hundis* instead of the present system under which you say, "I will pay you money after so many days" without passing a *mayadi hundi*?—The practice of *mayadi hundis* is stopped on account of the stamp duty.

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1093. Suppose we go back in the matter of stamp duty. There is a great difficulty to the traders under the present system. The merchant knows that when he has written a *hundi* at sight, ordinarily he will have to pay after 60 days. But suppose after 50 or 55 days his creditor becomes anxious, he can insist on immediate payment because the document is a demand draft. Besides, demand drafts now-a-days cannot be discounted when the understanding is that ordinarily they are meant to be paid after a period. Obviously the safest thing would be that this bill should carry with it some evidence that it is not merely a matter of borrowing and lending between two parties but a real transaction in merchandise which is in existence somewhere. How would you create a document of that sort? Would you agree that there may be public warehouses where these goods may be stored in charge of a responsible man?—Some of the banks are doing just this. They are giving loans on merchandise.

1095. But they do so only when their goods are in their own godowns?—The Imperial Bank is dealing in that way but not the rest of the banks.

1096. You say in answer to question No. 69 that money practically lies idle for three months and is employed for 9 months?—I mean to say that there are two crops. Every thing depends upon the crops.

1097. Does it not therefore mean that these indigenous bankers or money-lenders must calculate the earnings of 9 months as if they were earnings for 12 months?—Yes, that is the thing. My average comes to 6 per cent. On the one hand I am receiving 9 per cent. and on the other hand I am receiving 12 per cent. or less than that, but the average comes to 6 per cent. We calculate at the time of charging interest for 12 months.

1098. Then it is the net return in 12 months which we must take as the average profit or interest?—Yes.

1099. You say in your answer to question No. 72 that “you cannot shut the bankers out from every kind of lucrative banking business in cities and make the security, on which the village money-lender lends to the agriculturist, worthless by restrictive legislation and yet expect him to extend his services to the community”. What concrete suggestions can you make to improve matters?—The chief thing in this matter is that we should get good security from these cultivators; and this of course cannot be without the help of the Government, because Government has to abolish these restrictive laws and nobody else.

1100. What facilities in recovery do you want?—Safety of the loan just as for *takavi* or for the loan of a co-operative society.

1101. You have mentioned somewhere something about insolvency law. Do you think that insolvency law is defective? What difficulties exist at the present moment? Does it make insolvency fairly easy?—Yes, because when a man applies to the court for insolvency his application is at once accepted and it has proved a great trouble to the bankers.

1102. What kind of changes would you make in the insolvency law?—More restrictions ought to be placed on the declaration of insolvency.

1103. I put to you the question about agriculturists. Supposing the agriculturist's security is good, at any rate the security is as much as is available to the co-operative credit society, do you think the indigenous banker will be able to lend money at 10½ per cent. to 15 per cent.?—He would charge less.

1104. Even less than 12 to 15 per cent.?—If the loan is safe, why should they not charge less.

1105. *Nawab Major Mohd. Akbar Khan*: Rai Bahadur Sahib, you say in your first memorandum that the rates of the *zamindar* money-lender are generally higher although the security on which he lends is very much greater. Will you quote instances where any land owner has advanced his money at a higher rate of interest than that of a *bania*?—Look here, Nawab Sahib. I have already said that I am not a *zamindar* of this place. So whatever I have said I have said on hearsay, and you are the better judge of these things, because you belong to the same class and you know your own position better than I can explain. I do not know much, because I have just given loans to some of my good friends as I have already mentioned and to the good *zamindars*. As to your own affairs I do not know how much you charge, but generally the big *zamindars* give loans to their cultivators for the sake of getting possession of the land or to purchase the land, because they are generally in possession of the out-turn or whatever it produces, and the out-turn is more or less equal to the rate of interest.

1106. Do you know that in the case of a big land owner, as compared to the valuation of his property, the yield is never more than 4 per cent. annually? So if his produce is 4 per cent. per annum of the valuation of his land, then how can he get more from the other *zamindar* by hypothecation of his land. The property which is valued to-day in the market would not work out at more than 4 per cent.—I differ from you.

1107. Do you speak from your experience as a landlord?—I have not got much land in this Province, but I have got considerable land in the Punjab.

1108. Where is it situated in the Punjab?—In the Lyallpore District.

1109. *Chairman*: Well Rai Bahadur Sahib, there an acre is worth Rs. 1,000 undoubtedly.

1110. *Witness*: From my point of view, our Charsadda Tehsil lands and those of the *Yusafzai Ilaga* are not less than the Lyallpore lands in quality.

1111. *Nawab Major Mohd. Akbar Khan*: May I point out to you that these conditions of the Punjab do not prevail here; that the conditions in the Punjab are quite different from the conditions in the North West Frontier Province because (1) in the Punjab they have settled territory and the tenants run after the proprietor to give them some plot of land on which to work; on the other hand, here in this Province the proprietors run after the tenants to come and settle down on their properties and (2) here on the frontier from all the tenantry, although they have their watering hours both at night and day for irrigating their fields, no body ever goes to irrigate his land at night, because they are people from across the border and they have got very bitter animosity amongst themselves and they dare not go out at night and water their fields in the night. Do you know of any such thing?—I have not got such experience, but may I ask, if you don't mind Nawab Sahib, where does that canal water go at night time.

1112. It flows through the channel. The procedure is that one man takes a turn in the day and one in the night time. In the night time no *Mohmand* or *Afridi* will ever irrigate his field on account of enmity.

1113. *Chairman*: Nawab Sahib, if the witness denies a thing, you need not press it further.

1114. *Nawab Major Mohd. Akbar Khan*: Well, you say, that you cannot quote any instance of the rate of the *zamindar* money-lender being

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higher than that of a *bania*. Alright, I will abide by it. Rai Bahadur Sahib, when you are saying about the exaction of service, are you referring to the *brahmin* land-owners of the Hazara District?—I do not know about Hazara District.

1115. Can you quote any instances here where any big land owner has taken service from his tenants as private servants?—I say on hearsay, that these *Khans* have much more powers to utilize their services.

1116. Hearsay is no evidence?—I am not going to injure the feelings of my friends, therefore I am saying hearsay.

1117. If you have got proof, you should adduce proof?—Excuse me, please, but there are certain people who are always at the service of their *zamindars*. For instance, in 1910 a riot took place between Hindus and Muhammadans. At that time I was standing at the Kabuli Gate and Colonel Blakeway was the Deputy Commissioner. Some *Khans* turned up there and while one offered 100 men; the other offered 200 men.

1118. But if, Rai Bahadur Sahib, you are put at the head of the Hindu community, you will also have good many followers. That may not be the case with those *Khans*. They may be their relations or adherents.

1119. *Nawab Sir Sahibzada Abdul Qaiyum*: Rai Bahadur Sahib, if the gentleman is ignorant of this you should be still more ignorant of this.

1120. *Nawab Major Mohd. Akbar Khan*: Rai Bahadur Sahib, you should not make a remark which you cannot substantiate.

1121. *Chairman*: Nawab Sahib, when the witness has made a statement, you let it remain as it is.

1122. *Witness*: I mean no reflection on the *Khans*. I wish I had the same position.

1123. *Nawab Major Mohd. Akbar Khan*: But you should not make the remark that they are servants without pay. They get remuneration. Well, you say that the rate of interest in hypothecating the land is about 25 per cent. Is it when the land is leased out?—I said "mortgaged with possession".

1124. Well, you say that the property which is mortgaged with possession yields 25 per cent. Well, that is a thing very incomprehensible to me at any rate. How do you arrive at this conclusion, may I know?—I can prove this from the account books of a personal friend of mine, if the Chairman allows me, but I will show it only *in camera*.

1125. *Chairman*: Nawab Sahib please leave this question aside.

1126. *Witness*: I can prove this fact from my account books.

1127. *Nawab Major Mohd. Akbar Khan*: I would like to see the accounts?—On condition that you will keep it secret.

1128. That I don't promise. I keep nothing secret.

1129. *L. Bal Kishan*: I have only one question to ask. You are the director of a local bank here. Why does your bank not like to lend money on agricultural land?—No, it is very difficult on account of the Land Alienation Act.

1130. *Nawab Sir Sahibzada Abdul Qaiyum*: My turn has come rather too late: so I do not want to put many questions. I will put just one simple question. You suggested something about the *barat* system. Don't you think that it already exists in this town: that is, that when merchandise and goods and other things are brought from

Afghanistan, they are handed over to what we call *dharwai* who keeps them and instead of paying them in cash they provide merchandise and various other goods?—There are two ways. One is that these caravan people bring merchandise and fruits from Afghanistan at their own risk, and as soon as they reach Peshawar, they hand over their stuff, furs, skins, etc., to the *arhti*, and the chief object of their handing over is this that they want to go back with the next caravan. So they cannot dispose of those things and just take advance money from the *arhtis* and after buying the goods from the merchants go back to Kabul with those goods. The second way is that most of the merchants send their goods and these caravan people bring down those goods on hire system. They just charge their hire. These goods are not sent through the *arhtias*, but directly to the merchants and their own *arhtias*, and in that case as they want money at once, they hand over to the *arhtias* at the best rate.

1131. I want to have it explained a little more for the information of the other members of the Committee. Don't you find that there is more trust and confidence between the traders up in Kabul and the traders in Peshawar itself and these *arhtias* have so far proved fairly honest in their dealings?—I quite agree with you but I can assure you clearly that the Indian merchants, whether Hindus or Mohammadans, have got much more confidence in each other. Without confidence the business cannot be carried on.

1132. And that you don't want to disturb the smooth relations of barter or exchange of goods, as they are just at present?—Certainly not. Their dealings are in a perfectly honourable way. For instance these caravan people come down here in the month of March or April. They take merchandise worth lakhs of rupees from Hindus and the Hindus trust them and when they return in October, they make payments.

1133. And they trust to such an extent that they deliver the goods to the *dharwai*?—They have got to trust each other.

1134. I simply ask you whether you or the indigenous bankers in the rural areas have lost a good deal of business owing to the springing up, or the appearance of some of these *zamindar* money-lenders?—We people will have to suffer.

1135. *Mr. V. F. Gray*: You say that the facilities afforded by the Imperial Bank to the indigenous bankers are inadequate, largely because they insist on refusing to lend against goods. If they lend against goods, would it help the bankers?—There is no harm if they lend against goods to some merchants too, but at present they refuse to deal with the bankers on the security of goods.

1136. Do they lend against goods to merchants?—Not in Peshawar. I do not know about the merchants of other places.

1137. What suggestions have you to make the Imperial Bank more useful?—They should accommodate the bankers and should advance money freely to approved customers; and apart from this, they should not sell these demand drafts. They ought to give these only to the bankers and not to the general public.

1138. You want to restrict them to dealing with approved bankers?—Of course.

1139. Would there be any help to bankers if there was a revision of the Mortgage Act, so that the mortgages would become less complicated. At the present moment money is not advanced very freely on account of the complications?—Yes it would be of great advantage.

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1140. You seem to be quite against the Money-Lenders' Bill or the Regulation of Accounts Bill?—Yes.

1141. Is there any special reason? Is it not essential that the people should keep regular accounts?—There are not sufficient educated men in the Mofussil to keep regular accounts. They generally take the signatures of the borrowers under the entry in their books. *Zamindars*, when they are dealing with a Hindu *bania* or a Muhammadan *bania* in the village, have got confidence in their creditors.

1142. I am not suggesting a money lenders' bill on the lines of the Punjab Bill, but surely some form of regulation is desirable?—Most of the poor people in the villages cannot keep regular accounts. They cannot enforce a regular account system. Of course people like myself and the Khan Bahadur Sahib, can afford it, but what about the poor people? They are men of limited means, and they cannot get or employ paid accountants. They have to keep their shops and sometimes they have to go to the markets to buy store for their shops. The great trouble is that their small business does not pay so much.

1143. Is it not rather unfortunate for the borrower if they cannot keep accounts?—They can keep accounts in a rough manner by getting the signatures of the borrower on a page of the account book under the entry.

1144. Then you do not approve of any legislation?—I do not approve of any legislation for the rural areas. But for the urban merchants there ought to be, because of the Income Tax Department. We have to produce our accounts regularly to the Department.

1145. Do you think that the application of the Usurious Loans Act should be made compulsory in the courts?—I have got no knowledge of this; I have not studied this question at all.

(The witness withdrew.)

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**Nawab Sir DOST MOHAMMAD KHAN of Tahkal Bala (Peshawar District).**

**Oral Evidence.**

1146. The witness made the following statement:—

The usual rate of interest charged by *sahukars* to the borrowers varies from annas 2 to Re. 1 per cent. p.m. according to the standing of the agriculturist borrowers. I have nothing to say against the *sahukars* of the town, but the small Hindu shopkeepers in villages borrow money from the town *sahukars* on interest at the rate of about 1 per cent. p.m. and advance loans to the agriculturists in the villages at rates ranging between 3 to 4 per cent. p.m. Only about Rs. 50 are advanced on the hypothecation of one *jarib* (2 kanals) of land. Formerly the *bania* used to mortgage about 6 *jaribs* of land for Rs. 300 and after the expiry of three years at the time of settlement of accounts used to add interest to the principal. For instance, \* \* \* resident of the village of Sarband has acquired some 600 or 700 *jaribs* of land and has only recently sold part of his land at the rate of Rs. 500 or Rs. 600 per *jarib*. Similarly in the villages of Kagawala and Tarnab some money-lenders have acquired large landed properties in this way. But all the money-lenders are trying to dispose of their landed properties, whether mortgaged or acquired,

because the average yield of produce is not much. Ever since the introduction of the Land Alienation Act the agriculturists have been protected against such alienations; besides most of the expenses on weddings and funerals have now been reduced, because the agriculturists cannot now borrow money easily.

1147. It is far from truth to say that any big *Khan* advances money on interest, but they are acquiring lands of small peasant proprietors in lieu of interest. Of course the *vakil* class among the Muslims has adopted the profession of advancing money on interest to the agriculturists since many years.

1148. As on account of the illiteracy of the agriculturists almost a stream of gold is running into the houses of this *vakil* class, it is the duty of our benign Government to protect these agriculturists from the members of the Bar. Government should decrease the number of civil suits and so save the Frontier Province people from being ruined by litigation. Ultimately litigation leads to bloodshed. The decisions in the law courts are against the interests of the agriculturists. I therefore suggest that the making of these laws should be entrusted to the representatives of each and every community in the Province, who should vary them in accordance with the needs and circumstances of each Province. Secondly, *panchayats* should be established in each *Ilaga* and all civil suits in the courts should be decided by these *panchayats* according to the personal laws of the parties. But these *panchayats* should not be on the basis of the present system of election, but according to the system in vogue in the tribal territory and in Afghanistan or to the *jirga* system.

1149. The real cause of ruin is litigation. For every Rs. 300 worth of court fees about Rs. 1,200 are paid to the criminal and civil lawyers. The relations between Hindus and Mohammadans are generally cordial as is evident from the statements made by Hindus and Mohammadans at my house yesterday in the presence of some of the members of the Committee. The communal tension between the two communities is generally the outcome of propaganda carried on by certain selfish members of a new party which calls itself "enlightened".

1150. Few agriculturists borrow on interest for purposes of seed; they generally store the seed to use it in time of need. If they wish to borrow money for this purpose, they go to the *dharwai* (Hindu weighman) who at the time of produce charges one seer as his commission for weighing one maund. The *dharwai* does not charge any interest for such a loan, but his claim to repayment is given preference at the time of the crop. I myself have borrowed Rs. 2,000 for bullocks, etc., from the *dharwai* and if I get money from my lands, I will pay him, or he will recover this amount from the crop in addition to his commission of one seer in a maund. The *dharwai* also sells the produce on behalf of the agriculturists, charging commission to the purchasers at the rate of -/1/- per maund. He does not charge any interest for the money advanced for the purchase of seed, but such loans must be paid off at the time of harvest according to our custom.

1151. Co-operative credit banks are badly required in this *ilaga*, but the directorate of these banks should consist of 5 big landlords of their respective *ilagas*, and an agriculturist should be advanced loans.

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to the limit of Rs. 1,000 on the surety of four of such directors, and both the person and property of every description of the agriculturist should be held liable for the repayment of the loan due from such a man and recoveries should be made in the same way as those of *takavi* loans advanced by Government.

1152. The only remedy to remove indebtedness is to create jurisdictional areas and the big men of those areas should advance loans up to the limit of Rs. 1,000 on their own responsibility. If a larger sum is required, then the land of the borrower should be mortgaged and if the borrower fails to repay the loan, his property should be auctioned.

1153. *Prof. Chablani*: Supposing the loan is advanced by the *bania* in your village for the purchase of the bullock?—If our *bania* advances money for the purchase of bullock, he does not charge any interest on that amount, but he would charge one seer in a maund as his commission at the time of the harvest. If we have got any Hindu guest, the *bania* will supply him with food and will meet all his requirements free of cost. I never borrow money from the village *bania* except for the purchase of bullocks. R. B. Karam Chand, a leading banker in Peshawar has advanced a loan to me annas 8 per cent. p. m. The small money-lenders of villages borrow money from the city bankers at the rate of Re. 1 per cent. p.m. and advance it at the rate of annas 3 or 4 per cent. p.m. If a man borrows money for the purchase of an ox or a bullock or to meet the expenses of marriage or death he will pay interest on the amount borrowed. Now we people have decreased our expenses. Whenever people living in distant villages borrow for the purchase of bullocks or to meet the expenses of marriage or death, the rate of interest charged by the *bania* ranges between Rs. 3 and Rs. 4 per cent. p.m.

1155. When the poor people have to borrow for cultivation purposes, whom do they go to?—Now-a-days a loan can be had only on the security of ornaments at 2 to 3 per cent. p.m. If the borrower has got no ornaments, he mortgages his land. No body advances money unless he has hopes of realisation. A loan of Rs. 40 or Rs. 50 can be raised on interest at the rate of Rs. 3 to Rs. 4 per cent. p.m.

1156. Is the agreed rate of interest actually paid?—If there is any dispute between the parties, it is decided by means of arbitration. At the time of settlement of claims the rate of interest is generally decreased by Re. 1 or Rs. 2 per cent.

1157. What are the relations between the agriculturists and the *banias*?—They are getting on quite alright, just like brothers. The Hindus have got their *dharamsala* (place of worship) in the village here. My grandfather granted 20 *jaribs* of land in Sarband to Hindus for constructing a *dharamsala* for themselves.

1158. *Nawab Sir Sahibzada Abdul Qayyum*: On what basis should the *panchayats* be created? On election system?—There is no process worse than the present election system. All people should be gathered together and out of them three persons should be selected. It is better than the election system. I also approve of the *jirga* system, provided the Government helps in exterminating bribery.

(The witness withdrew.)



**Khan Bahadur ABDUS-SAMAD KHAN, Revenue Extra Assistant-  
Commissioner, Mardan.**

**Replies to the questionnaire.**

1159. 1. The following statement would give the required information. The figures have been taken from *naqsha rehni* and *takavi* registers:—

1	2	3	4	5
Name of Tahsil.	Amount of debt as explained at (a).	Takavi.	Amount of debt (approximate) as explained in (b). & (c).	Total.
Swabi . . .	9,63,099	1,02,100	1,00,000	..
Mardan . . .	43,17,478	1,81,164	1,50,000	..

By educating the agriculturists on a large scale they can be made to understand the good and evil results of borrowing money for productive and unproductive purposes.

The debt is largely due to the local *sahukars*.

1160. 2. There are two kinds of interests charged, (1) in cash (2) in kind. The rate of interest in cash is between rupee one and three per cent. per mensem, and that in kind from 3 maunds of grain per cent. for six montls.

1161. 3. No doubt that present legislation, I mean the Land Alienation Act is a bar to agriculturists who want to take loans but it is useful to them to a great extent and I don't think any modification is required.

1162. 4. Very rarely in this province.

1163. 5. As far as the question concerns *sahukars*, such alienations have ceased owing to the enforcement of the Punjab Land Alienation Act, but the bigger *zamindars* who give loans certainly have the debtors' land mutated in their own names and the debtors' position is generally turned to tenants-at-will.

1164 6. The cultivators thus do not take full interest in cultivation. The process can well be checked if *zamindar* banks and co-operative societies are formed on a large scale.

1165. 7. No.

1166. 8. The petty loans are generally obtained in the villages on the security of standing crops at the rate of one maund of grain for Rs. 20 for six months and on the security of ornaments at the rate of six pies per rupee per month.

1167. 10. *Sahukara* Bill should be introduced.

1168. 11. This is not prevailing in this province; if introduced will be useful.

1169. 12. (1) Small cultivators or peasant proprietors:—

(a) By taking loans from *sahukars* and big land holders and to some extent from Government in the form of *takavi* loans.

(b) From *sahukars* and Government.

(c) From professional money-lenders.

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(2) Owner of about 100 acres of land.

(a) and (b). From *sahukars* and Government.

(c) *Sahukars*.

(3) Big land-holders generally don't take assistance either from *sahukars* or Government.

For seed loans are generally taken in kind. The rate of interest is Rs. 3/- per cent. per month. In case of (a) loans are taken for six months, and in case of (b) and (c) generally for three years. The following kinds of securities are generally given :—

(1) Standing crops.

(2) Houses and land which is not meant for cultivation.

(3) Water-mills and ornaments.

If the principal and interest are not repaid within the prescribed period, compound interest is charged and often fresh deeds are written in which the principal *plus* interest for the expired period is entered as the new principal. *Zamindars* also take loans from *sahukars* and give their lands on lease to the creditors. Certainly the rates are very exorbitant. Interest is always charged in cash and not in kind. Loans which are given in kind are calculated in terms of cash. In financing agriculture the foremost part is played by *sahukars*, the next by Government and last of all by big land-holders.

1170. 13. No, the cultivators don't borrow *takavi* freely for the following reasons:—

(1) Sufficient amount is not given to *zamindars*.

(2) Such loans are granted for small periods. The period should be enhanced.

(3) *Zamindars* have sometimes difficulties in taking *fard*, etc., from the *Patwari* for attaching to the petition. *Takavi* should be given freely.

1171. 14. There is no co-ordination between the two sources explained above.

1172. 15. The chief defect in borrowing money from money-lenders is that after expiry of 3 years, which is the legal period for a loan deed, the money-lender asks the borrower to execute a fresh deed, the interest is added to the principal and further interest is charged on this new principal. Thus the borrower has to pay compound interest. This difficulty can be removed to some extent by enhancing the prescribed period of the deed. (b) In the case of *takavi* from Government for improvements under the Land Improvement Loans Act the applicant has to face many difficulties in getting the *fard* from the *Patwari* for attaching to the petition. Further he has to pay some illegal charges. Such difficulties can be removed to a great extent if the practice of issuing such *fard* from office *Qanungo* in the *tehsil* is introduced. In the later case the presiding revenue officer can exercise better supervision.

1173. The *zamindars* are mostly uneducated and taking into consideration the various forms of loans and interest and the cheatful accounts of the *sahukars* he has to suffer much. To safeguard their interest some laws and regulations should be introduced; also please see answers 12 and 13. *Zamindara* banks and co-operative societies may be formed.

1174. 16. The estimate for capital mentioned in this question cannot be given easily as the demands vary annually according to the nature of the crops grown.

1175. 17. Following are the marketing centres:—

*Peshawar District*.—Peshawar, Nowshera, Alkora, Khairabad, Pabbi, Hoti, Charsadda, Utmanzai, Tangi, Shabqadar, Takhtbhai, Rustam, Parkho, Hathian, Tordher, Topi, Maneri.

*Kohat District*.—Kohat, Gumat, Thal, Hangu, Teri, Karak, Bahadar-Khel.

*D. I. Khan District*.—D. I. Khan, Darabin, Kulachi, Tank, Guliman, Gomel.

*Hazara District*.—Baffa, Nawanshahar, Abbottabad, Mansehra, Hari pore, Havelian, and Kot Najibullah.

1176. 18. The *zamindars* generally take their grain to markets and sell these to *sahukars* who stock it and dispose it off to down-country merchants.

No other charges, save that the *sahukars* purchase grain at cheap rates.

1177. 19. (a) They store in *zamindari* store rooms called *khambas* and bring to markets in bags.

(b) They stock in bags; the grain thus stored is not taken as security for obtaining credit.

1178. 20. No.

1179. 26. No such practice exists.

1180. 27. Yes; please also see answers Nos. 13 and 15.

1181. 28. Following are the prices per acre of different kinds of land in this Sub-Division:—

<i>Chahi.</i>	<i>Shah Nehri.</i>	<i>Abi.</i>	<i>Sailabi and Dagoba.</i>	<i>Barani and Maira.</i>
Rs.	Rs.	Rs.	Rs.	Rs.
1,200	400	500	200	100

The ratio of the annual yield of land to its market value is 1:16. In case of (a) less than half of the market value of the land is obtained; so also is the case in (b). In case of (c) the real market value can be obtained. In auction, it is admitted that real price cannot be obtained as one has to seek for a buyer and in private negotiation the initiative is taken by the vendee.

1182. 29. Land Alienation Act is the only impediment to mortgage of agricultural holdings; the law is good and no modification is required.

1183. 31. No.

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1184. 32. The rules pertaining to *zamindara* banks and co-operative societies may also be introduced here. No change is recommended. Co-operative credit societies have very recently started their work and I hope the system will prove useful here as well.

1185. 34. By taking the average value of land mortgaged in that neighbourhood during the past 5 years.

1186. 35. Land should be the security for this.

1187. 36. No.

1188. 37. No.

1189. 38. The only industry carried on here is *gur*-making on a local machine, called *gahmrin*. Industries can be encouraged to some extent by opening industrial schools.

1190. 48. Please see answers Nos. 8, 12 and 15. Co-operative credit societies and *zamindara* banks may be opened on a large scale.

1191. 49. No such industries exist in this sub-division.

1192. 54. The existing system of trade with trans-border people is that they bring produce of their country such as fruit, *ghee*, skins, furs, rags, etc., to markets in big towns and selling them within a very few days go back after purchasing cloth, sugar, *gur*, and salt from this country. Good roads and personal safety on borders facilitate commerce.

1193. 55. Hindus.

1194. 56. Indigenous bankers in a village or *banias* of the village and even shopkeepers. Their chief business is banking. Some 5 per cent. of these indigenous bankers live only on money-lending.

1195. 57. They finance agriculture to a great extent by lending money to the *zamindars*. They don't invest in industrial shares.

1196. 63. Please see answers Nos. 8 and 15.

1197. 64. Yes, there is a prejudice against the indigenous bankers.

1198. 66. The money-lenders are not able to meet all demands for accommodation.

1199. 74. Some 3 per cent. of the agriculturists in this sub-division have got surplus income over their necessary expenditure.

1200. 82. The agriculturists by this money support themselves and their families and spend it in redemption of their lands or in making improvements in their holdings.

1201. 83. The farmer never lends to his fellow agriculturist and in a prosperous year, if he ever has any surplus amount, he keeps it with the local *bania* as *amanat* and the *bania* carries on his banking with that sum. The farmer takes no interest on this amount from the *bania*.

1202. 86. The majority of the *zamindars* don't buy Post Office Cash Certificates as they have no money to buy them.

1203. 95. Co-operative credit societies and banks may be opened at Mardan, Hoti, Rustam, Lundkhowar, Takhthhai, Garhi Daulatzai, Katlang, Tordher, Sawabi, Topi, Kundah, Shewa, and Yarhussain.

## Oral evidence.

1204. *Chairman*: You are the Revenue E. A. C., Mardan?—Yes.
1205. The amounts of indebtedness and *takavi* given by you in your memorandum relate to two tehsils under you?—Yes.
1206. What does Rs. 963,099 represent?—This sum was raised on the security of land. This amount has been taken from the statement showing the total amount of mortgage. It is an approximate figure.
1207. What does Rs. 100,000 given in column 4 represent? To which kind of debt does it relate?—It is not the actual figure.
1208. Is it an estimate?—Yes.
1209. What is the usual rate of interest in your *tehsils*?—Re. 1/- per cent. p.m. is an easy rate of interest. The usual rate is 3 per cent. p.m., and sometimes it goes up to 5 per cent. p.m. If an agriculturist borrows Rs. 20, he has to pay one maund of grain as interest when the crop is ready.
1210. Has the Land Alienation Act proved a check on indebtedness?—Ever since the introduction of the Land Alienation Act it has become difficult to raise loans; otherwise the Act is useful in every way. I may state for the information of the members of this Committee that there are two kinds of *banias*. One is the shopkeeper in the village. He keeps good relations with the villagers, and the other is the *sahukar* in the town. Both the agriculturist and the shopkeeper are tired of these *sahukars*. The shopkeeper obtains loans from the *sahukar* at a very high rate of interest.
1211. Are the small landowners being swallowed up by the big landowners?—No, that is not the case. Neither the *Khan* nor the money-lender purchase the land. It is a third class which has been brought by the *Khans* to work on their lands, which is acquiring land. I have designated them as “bigger *zamindars*” in my memorandum. There are three kinds of agriculturists; first, the *Khans* or the landlords, second, their tenants, and third, those persons who have been brought from outside to settle down on the lands of the landlords. Such persons are found in large numbers in the Charsadda and Mardan Tehsils. The Land Alienation Act has proved more beneficial to this class. In the absence of a *Khan* in the village they are likely to create mischief.
1212. Who does generally advance money for agricultural purposes?—Generally the *sahukars* advance loans for agricultural purposes.
1213. How would you make *takavi* loans more easy to get?—The chief difficulty that one experiences is in obtaining the *fard* (descriptive statement) from the *patwari* and this defect is difficult to remedy. It would be better if the *fard* were prepared in the *tehsil*.
1214. Are you in favour of co-operative credit societies?—Yes. If such banks are started, I am sure many Hindus and Mohammadans will become members of such banks. In case they prove successful, the work of distribution of *takavi* should be handed over to them.
1215. But the difficulty is the co-operative society charges interest at the rate of 12 per cent. and Government charges interest at the rate of 6½ per cent. for *takavi*. What would you do with this difference in the rate of interest?—*Takavi* should be advanced at the same rate of interest at which it is obtained.
1216. Will the co-operative societies also require the *fard*?—If they want it, they can send for it officially. If it can not be obtained in this way; they should advance loans on the security of ornaments.

K. B. Abdus-Samad Khan.

1217. *Nawab Sir Sahibzada Abdul Qaiyum*: You know that co-operative credit societies are being formed in villages and that people are becoming their shareholders, and their general practice is that they advance loans on the security of two persons. Now if the society's loan is safe, surely the loan advanced on account of *takavi* would also be safe. What other measures should be adopted to safeguard the Government money?—The *takavi* loan should be advanced at the same rate at which it is obtained from the Government. At present the Government has sanctioned some lakhs of rupees for *takavi*. If this whole amount is delivered to the agriculturists, through co-operative societies, surely the Govt. as well as the societies will have to face a good deal of trouble in the matter of recovery.

1218. *Nawab Major Mohd. Akbar Khan*: Well, Khan Bahadur Sahib, you have got a vast experience in this line and so your evidence would be very weighty. May I ask you that when a small proprietor sells his land, does he go to the big landowner or the latter comes to him?—It is neither the *Khan* nor the *sahukar* who purchases the land, but the third class mentioned above. The object of this Committee is to devise means of providing facilities for the agriculturists in the matter of raising loans. In the villages of Kohat the *banias* and the agriculturists are pulling on quite nicely, and if they are in trouble, it is only on account of the heavy rate of interest of the town *sahukar* and on account of such persons as have come down from across the border. Now I shall narrate the difficulties of a big landowner. His land is cultivated by the cultivator, who at the time of the cultivation keeps a lamb, which grazes over the land of the owner. When the crop grows a bit, the cultivator brings his cow to graze there, and you know that at least Re. 1 worth of fodder is required for a cow, and this loss is debitable to the account of the owner. When the crop is ready, the cultivator will daily take maize for his children before the crop is cut. Finally when the crop is cut, nearly half of it would have been consumed by the cultivator in the above mentioned fashion, and out of the remaining he would again share with the owner in addition to his preferential share: that is to say, the cultivator will get 75 per cent. and the owner 25 per cent. In these circumstances I don't think any land owner or Hindu would like to purchase land.

(The deposition of the witness was not concluded when the Committee rose for the day).

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Wednesday, November 20th, 1929.

## PESHAWAR.

### PRESENT:

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. ( <i>Chairman</i> ).	
The Hon'ble Major Nawab MOHAMMAD	Lala BAL KISHAN.
AKBAR KHAN, C.I.E., I.A., M.C.S.	Mr. V. F. GRAY, M.L.C.
KHAN OF HOTI	Khan Bhadur Haji KARAM ELAHI
Professor H. L. CHABLANI, M.A.	SETHI. ( <i>Co-opted member.</i> )

Mr. V. S. MARBALLI (*Secretary*).

Mr. V. K. Aravamudha Ayangar, C.I.E., M.L.A., Secretary, Indian Central Banking Enquiry Committee, was also present.

**Khan Bahadur ABDUS-SAMAD KHAN, Revenue E.A.C.,  
Mardan.**

### Oral evidence—(*concluded*).

1219. *Prof. Chablan*: Do the figures of mortgage debt and those under (b) and (c). (Para. 1159), taken from the statement of mortgages, relate to one village or to the whole area under your control?—These figures are not reliable. These have been taken from the statement attached to the settlement report.

1220. How can we get the correct figures for the Province?—You can get these figures from the tehsils.

1221. From which statement?—From the statement of mortgages. This statement is to be found in the *lal kitab* relating to each village, which gives the figures for four previous years.

1222. Where shall we get the correct figures for one year?—From the mutation register you could get the correct figures.

1223. Who keeps this register?—The *patwari* keeps this register.

1224. To which year do the mortgage figures relate?—These figures relate to the mortgages effected or redeemed during the course of the settlement operations, and therefore I say that these are not reliable figures.

1225. To which year do the figures supplied by you relate?—These figures relate to the year 1925-26, when settlement operations were in progress there.

1226. Should we take the settlement figures to be correct or not?—These are the correct figures.

1227. How did you calculate the figure under (b) and (c) [para. 1159]?—It is an approximate figure. If Rs. 1,00,000 was advanced as *takavi* loan it may be assumed that this much amount may have been borrowed from other people on the security of ornaments.

*K. B. Abdus-Samad Khan.*

1228. Is this calculation based on any principle?—It is an approximate figure; it may be wrong.

1229. *L. Bal Kishan*: You have arrived at this figure on the basis of your experience extending over 20 to 25 years, but did you ever try to find out by actual facts whether your conclusions were correct or not?—I think that these figures are correct.

1230. *Prof. Chahlani*: Is the debt secured or unsecured?—It is secured.

1231. In places where the Land Alienation Act is in force the debt due to the *baniyas* would be very small?—There are three classes of *baniyas* first the village shopkeeper, second the town *sahukar* and third, those agriculturists who have come down from the tribal territory and settled down on the lands and are acquiring properties.

1232. You say that debt is generally due to local *sahukars*. What do you mean by this?—I mean the village and town money-lenders.

1233. *Chairman*: Since the introduction of the Land Alienation Act the secured debt would be due to the agriculturists?—After the introduction of the Land Alienation Act the land has not been mortgaged.

1234. *Prof. Chahlani*: But at present 8,082 acres of Mardan lands are mortgaged to non-agriculturists and 26,298 acres to agriculturists. This shows that land mortgaged to agriculturists is three times more than that to non-agriculturists, i.e., most of the land is mortgaged to agriculturists?—What I meant was that the secured and unsecured debt due to the *sahukars* was greater than what was due to the agriculturists. The whole debt due to the *sahukars* including that secured on ornaments was larger than the mortgage debt due to the *zamindars*. The figures are misleading, because most of the transactions are *benami*.

1235. You say in reply to Question No. 8 that "the petty loans are generally obtained in the villages on the security of standing crops at the rate of one maund grain for Rs. 20 for six months". Was it the usage in old days or is it prevalent now?—This practice came into being only a few years ago. Formerly the rate was very low.

1236. Since how long has it come into being?—For the last four or five years.

1237. What is the selling price of the grain per maund?—Rs. 5 a maund.

1238. Who charges these rates?—The *sahukars*. It is their usual rate.

1239. Are the Muhammadan agriculturist money-lenders also among the persons who have come from across the border?—Yes.

1240. In reply to question No. 12 (3) you say "big land-holders generally don't take assistance either from *sahukars* or Government". How do they meet their current expenses?—They take loans for purposes of cultivation for six months only, and the rate of one maund of grain for a loan of Rs. 20 relates to such advances. The cost of oxen also is included in the cultivation expenses.

1241. But the majority of the cultivators in normal years, after they have sold the crop, have for sometime got some money of their own; why should they then borrow money?—But there are several persons possessing small holdings and they may require money for purposes other than cultivation.

1242. What is your opinion about the period of limitation?—It should be extended, because in that case there would be no accumulation of interest, and consequently no compound interest.



1243. How did you work out the prices of land given in reply to question No. 28?—About sixteen years' produce of the land is equal to the price of the land.

1244. Did you take into consideration the bad crop years as well?—No.

1245. On an average, after how many years is there a bad crop?—After three years.

1246. Then if we take the bad crop years into consideration, there would be at least five bad crops during the course of 16 years, and that would considerably reduce the price?—I have calculated the price keeping in view the average crop for 16 years.

1250. Do people take lands on omrtgages in your sub-division or not?—25 per cent.

1248. That means that 64 times the land revenue is the price of the land?—Yes.

1249. How many agriculturists have got surplus income after meeting their expenses?—3 per cent. These persons are those who have come down from the tribal territory.

1250. Do people take lands on mortgages in your sub-division or not?—They do take land on mortgage if they have got surplus money.

1251. Then the money advanced by agriculturists on mortgages is included in the amount invested by this 3 per cent.?—Yes.

1252. In reply to Question No. 83 you say that the agriculturist keeps his surplus money with the *bania* without any interest. If he does not charge interest, why does he not give his money to his fellow agriculturists?—He does not give to his fellow agriculturist because in each and every village there is a faction, and the agriculturist is on better terms with the *bania* than with his brother agriculturist, and he has got greater confidence in the *bania*.

1253. Does anybody take any loan from the *bania*?—Yes, local men take loans from the *banias*.

1254. What is the proportion of such persons?—I can't say.

1255. *Nawab Major Mohd. Akbar Khan*: Who are the cultivators in your sub-division?—Mohmands and Afridis.

1256. Is not the land situated further from Hoti and other land in the Mardan sub-division together with that of Charsadda cultivated by Mohmands and Afridis?—Yes, it is cultivated by Mohmands and Afridis.

1257. Is it not a fact that these migratory tenants are willing to come to any land owner who gives them a higher amount of *takavi* without any interest and treats them better I think the same holds good on the Swabi *maira* and the *barani* lands?—Yes, they are mostly Mohmands.

1258. Is it not a fact that all the land-owners in Mardan, Swabi and Charsadda are doing their level best to secure more tenants but are unable to get any without an advance of *takavi* of Rs. 100 per plough?—So long as they do not spend, they cannot get tenants. That is the difficulty why the *sahukar* does not wish to purchase land now. Besides, the *zamindar* (cultivator) misappropriates the produce.

1259. Do these people belong to tribal territory?—Yes.

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1260. When they have accumulated money, do they go across the border?—Yes.

1261. When the amount belonging to the big landlord is misappropriated by the Mohmands or Afridis, what is the remedy for the landlord to recover his amount?—As a Revenue E. A. C. I have nothing to do with this question.

1262. This may be the case with the big *sahukars* as well?—Some of the Hindu *sahukars* whom I know being my friends are trying to sell their lands, the reason being that the cultivators misappropriate their produce.

1263. It is said that the big landlords or *sahukars* (there are many *sahukars* in Mardan owing 400 or 500 acres of land) exact service without remuneration from their tenants?—It is not the practice in Mardan; but they do take service in this way that they put in work worth 4 annas and get less.

1264. Supposing the *panchayat* system is introduced, would it be beneficial?—The *panchayat* would be useful provided the newly educated people, the old men and people belonging to every religion, took part in it.

1265. You have been a good deal in Yusafzai. You must have noticed that in marriage ceremonies, etc., our relations are better with the Hindas?—I think no Muhammadan or Hindu can live without the other class.

1266. *K. B. Haji Karam Elahi Sethi*: Are you in favour of increasing the limitation period for debts?—Yes, I think it should be extended to ten years, because in that case there would be no compound interest.

1267. Do you mean to say that the debtor should remain a debtor for ten years continuously?—In the event of his being able to pay earlier, he would pay it off, but if he is unable to do so, then in that case he will not feel the necessity of executing a new bond for interest.

(The witness withdrew.)

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**MOHD. AURANGZEB KHAN, B.A., LL. B. (Alig.) Vakil,  
Peshawar.**

Replies to the Questionnaire.

A.—AGRICULTURAL INDEBTEDNESS.

1268. I belong to Kulachi Tehsil and hence I deal with that village and *tehsil*.

1269. 1. The land-owners of Kulachi are to my mind indebted to the extent of 15 lakhs and these debts are mainly due to litigation, to marriage and funeral expenses and growth of the debt is due to usurious and compound interest and occasionally to famine and other kinds of distress. The land-owners in the main are no believers in the payment of debts. They contract debt and leave a legacy of unbearable indebtedness to their children.

1270. The majority of these borrowers are the litigious people and *lambardars*, etc., who maintain guest-houses. The *lambardars* realize revenue and at once spend it and then they borrow afresh for payment of revenue to the Government. These debts are largely due to professional local money-lenders.

1271. 2. The normal rate of interest is 1 pice per rupee per month and in some cases it is from Rs. 2 to Rs. 4 per cent. p.m. and the latest practice of calculating interest is that in the original pro-note interest at the above rate for 3 years is calculated and then shown as part of the principal in the pro-note and this principal (which includes the future interest for 3 years) is also shown as payable with interest. If the money-lender has any soul he shows some concession; otherwise generally full interest is charged and if resort is had to court this interest is always claimed and decreed.

1272. 3. Strict Money lenders' Act and the establishment of *zamindara* banks with partly Government capital and Government supervision and more liberal and systematic *takari* advances.

1273. 4. Money-lender is the master of the situation.

1274. 5. No, except that the land-owner and his tenantry are growing miserable day by day, though genuine gratitude is due to the Land Alienation Act.

1275. 6. Educate the land-owner, make him self-supporting, remove the tyranny of the money-lender and educate him to make investment.

1276. 7. Yes.

1277. 8. The money-lender at the time of harvest will accept the grain at cheaper rate and will advance loans in kind at the time of cultivation at the dearest possible rate. Money-lender's word is law. The land-owner knows only one market, only one bank, only one supplier of seed, only one supplier of merchandise—the money-lender. There are no loan banks and no system of *rahti* loans in my *tehsil*.

1278. 9. The Usurious Loan Act is in force in our Province but is availed of to a very little extent because the money-lender can afford to engage a counsel and generally manages to compromise decrees and the illiterate debtor feels satisfied at the long rope. The sanctity of contract and contractual rate of interest is successfully trotted out by the money-lender. I would suggest that when once the claim is put in a Court, compromise or no compromise, the Court *sui moto* should apply the provisions of the Usurious Loans Act as it does the Limitation and Court Fee Acts. Liberal instalments should invariably be allowed and safeguards similar to those introduced by the Maharaja of Kashmir should be applied in this respect.

1279. 10. The Punjab Legislation is a very modest one and in 1925 when a representative deputation of the Mussalmans of North-West Frontier Province waited upon the Honourable the Chief Commissioner a similar request was duly made by the deputation and was duly promised by the Honourable the Chief Commissioner. There should be complete divorce between money-lenders and the *zamindars*, and co-operative credit societies and *zamindara* banks, etc., as in the Punjab, should at once be introduced into the North-West Frontier Province.

1280. 11. No, the land-owner is always at the mercy of the money-lender.

*Mohd. Aurangzeb Khan.*

## B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1281. 12. (a) From the village *bania*.

(b) Village *bania* or urban *bania*.

(c) Both.

Rate of interest I have shown in answer No. 2.

The part played by the Government is in respect of—

(a) *Takavi* loans which are of very considerable value.

(b) *Nil*.

(c) Sometimes remission of revenue.

1282. The Imperial Bank of India, the joint stock banks, etc., are not even known to the land-owners, nor do these agencies care to know the land-owners of my *Tehsil* District and of the North-West Frontier Province as a whole.

1283. 13. Yes, the cultivator freely borrows *takavi* under the Agriculturists Loans Act. There are defects in the working of this Act in as much as the distribution is not made in strict conformity with the rules made thereunder. This time it is in my personal knowledge that in my District the distribution has been very liberal and systematically made and the same remarks apply to the Peshawar District. As I do not know about other Districts I would like to confine my remarks to the Dera Ismail Khan District.

1284. The remedies that I would suggest are that the loans which are made to the Districts should be doubled, trebled and that for its distribution and realization special sympathetic officers should be appointed not on the whole-time basis but only periodically and rules in respect of method of distribution should be strictly enforced.

1285. 15. None beyond what I have stated above.

1286. 16. This year in my District rupees 4 lakhs was sanctioned and distributed as *takavi*. I will put this sum at 10 lakhs at least. I will suggest that a *Takavi* Officer should be appointed who should lecture to the masses on the uses of *takavi* and further popularise the already popular system.

## C.—FINANCE FOR MARKETING.

1287. 17. The Kulachi *mandi* owned and financed by Kulachi money-lenders is the only market that I know of.

1288. 18. *Nil*, beyond what is given in answer No. 17.

1289. 19. The agriculturist sells the surplus at the threshing floor and leaves just enough for the feeding of his family. Sometimes his share is sold in the form of standing crop. The question of necessity for obtaining credit does not arise.

1290. 20. I can't say.

1291. 21. Not beyond what is given above.

1292. 22. No railway even.

1293. 23. This Province was a part of the Punjab and in 1901 it was detached therefrom, so all possibilities of forming pools and co-operative efforts which can be possibly thought out for the Punjab.

1294. 25. No, it will be injurious. This will make the lethargic *zamindars* all the more so.
1295. 26. Except current accounts all the loans are secured.
1296. 27. Yes, the agriculturist freely borrows *takavi* loans. I would propose that loans should be made in kind and the loan officer should first ascertain the *zamindars'* requirements for the current season or year and the *zamindars* should be discouraged from borrowing from the money-lenders because this discountagement will bring about communal amity—a consummation greatly to be desired and prayed for.
1297. 28. Rs. 100 per acre—twenty times the yield.
1298. 29. No.
1299. 30. No mortgage Banks.
1300. 32. Let us copy the Punjab system.
1301. 33. The Punjab system.
1302. 34. The Punjab system.
1303. 35. The security of land.
1304. 36. I can't say.
1305. 37. I can't say.

#### E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

1306. 38. The introduction of canal system is under the contemplation of the Government of India and if it is sanctioned then dairy-farming, etc., can be safely introduced.
1307. 39. *Vide* answer 38.
1308. 40. *Vide* answer 38.

#### F.—RURAL CO-OPERATION.

1309. 43. No society.
1310. 44. No co-operative movement.
1311. 47. It is really desirable to stimulate the growth of co-operative movement.
1312. 48. I can't say.
1313. 49. None.
1314. 50. Reply stated above.
1315. 51. Just on the lines of the Punjab.
1316. 52. No banks so far.
1317. 53. The Government *takavi* loans or the co-operative banks loans which I have proposed should be in kind, and the payment back to Government should also be in kind.

*Mohd. Aurangzeb Khan.*

## II.—TRANS-BORDER TRADE.

1318. 54. To the west of Kulachi is Gumal Pass and through this pass merchandise is carried to Afghanistan and trans-border people and in return Afghanistan nomadic tribe of *Powindas* import Afghan goods into my District.

In respect of other items I can't say.

1319. 55. The Hindus.

1320. 56. The money-lender does not combine other business with banking.

1321. 57. I don't know.

1322. 58. The village money-lender borrows at annas 8 per cent. p. m. from the urban bankers.

1323. 59. *Hundis* are used but I can't give samples.

1324. 60. Already answered above.

1325. 61. The indigenous bankers either depend on their own funds or draw on the urban banks at very reasonable rates.

1326. 62. Annas 8 per cent. per month.

1327. 63. One pice in the rupee per month or from Rs. 2 to Rs. 4 per cent. or in extreme cases half of capital, i.e., if Rs. 100 are advanced Rs. 150 are taken for one year. These rates could be brought down by competition. The reduction, it goes without saying, would confer very great benefit in every respect.

1328. 64. Yes, and quite naturally. There is a great heart-burning and Hindu-Muslim tension is mainly due to it.

1329. 65. The legal expenses are always decreed and the money-lenders whether they go to court or not are gainers in every respect.

1330. 66. He is able to meet all demands.

1331. 67. It is carried on through *hundis* and *chithies*.

1332. 68. As given above.

1333. 69. No.

1334. 70. I don't know.

1335. 71. Yes. I think they are over-protected.

1336. 72. A complete divorce between the two and the new substitute for the bankers.

1337. 73. Money Lenders Act and similar other safeguards.

1338. 74. As honest people they should approve of introduction of measures of co-operation.

1339. 75. I don't know.

1340. 77. Yes. Competition must be faced.

1341. 78. None.

## J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

1342. 79. If their indebtedness is removed and proper economy introduced the majority of them can save 25 to 50 per cent.

1343. 80. No saving so far.

1294. 25. No, it will be injurious. This will make the lethargic *zamindars* all the more so.
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1315. 51. Just on the lines of the Punjab.
1316. 52. No banks so far.
1317. 53. The Government *takavi* loans or the co-operative banks loans which I have proposed should be in kind, and the payment back to Government should also be in kind.
- Mohd. Aurangzeb Khan.*

## II.—TRANS-BORDER TRADE.

1318. 54. To the west of Kulachi is Gumal Pass and through this pass merchandise is carried to Afghanistan and trans-border people and in return Afghanistan nomadic tribe of *Powindas* import Afghan goods into my District.

In respect of other items I can't say.

1319. 55. The Hindus.

1320. 56. The money-lender does not combine other business with banking.

1321. 57. I don't know.

1322. 58. The village money-lender borrows at annas 8 per cent. p. m. from the urban bankers.

1323. 59. *Hundis* are used but I can't give samples.

1324. 60. Already answered above.

1325. 61. The indigenous bankers either depend on their own funds or draw on the urban banks at very reasonable rates.

1326. 62. Annas 8 per cent. per month.

1327. 63. One pice in the rupee per month or from Rs. 2 to Rs. 4 per cent. or in extreme cases half of capital, *i.e.*, if Rs. 100 are advanced Rs. 150 are taken for one year. These rates could be brought down by competition. The reduction, it goes without saying, would confer very great benefit in every respect.

1328. 64. Yes, and quite naturally. There is a great heart-burning and Hindu-Muslim tension is mainly due to it.

1329. 65. The legal expenses are always decreed and the money-lenders whether they go to court or not are gainers in every respect.

1330. 66. He is able to meet all demands.

1331. 67. It is carried on through *hundis* and *chithies*.

1332. 68. As given above.

1333. 69. No.

1334. 70. I don't know.

1335. 71. Yes. I think they are over-protected.

1336. 72. A complete divorce between the two and the new substitute for the bankers.

1337. 73. Money Lenders Act and similar other safeguards.

1338. 74. As honest people they should approve of introduction of measures of co-operation.

1339. 75. I don't know.

1340. 77. Yes. Competition must be faced.

1341. 78. None.

## J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

1342. 79. If their indebtedness is removed and proper economy introduced the majority of them can save 25 to 50 per cent.

1343. 86. No saving so far.



1314. 81. The Muslim *zamindars* have got only silver or gold jewellery but none in any other form. I think the tendency towards hoarding is decreasing owing to indebtedness and partly to education which teaches the uses of circulation.

1345. 82. If there is any saving, they spend it on social functions, funeral and marriage expenses and last, but not the least, litigation.

1346. 83. The Muslim money-lender is as bad as his Hindu confrere.

1347. 84. Cheques are getting popular in urban area but not in rural. Urdu should be used in banking.

1348. 85. Yes. Banking and investment are due to prosperity and Europeanization. In Kulachi Tehsil there are only the Post Office Savings Banks. Facilities for the investment of savings should be popularized by the public lectures.

1348(a). 89. Government Treasury Bills and Cash Certificates command by public lectures.

1349. 86. I don't know.

1350. 87. I don't know.

1351. 88. I can't suggest off-hand.

1352. 89. Government Treasury Bills and Cash Certificates command great popularity because they are issued by Government.

1353. 90. I can't suggest off-hand.

1354. 91. Can't say.

1355. 92. Can't say.

1356. 93. Imperial Bank of India is popular and the new branches have justified their existence.

1357. 94. There are some Indian banks which are solely reserved for the business class only and from the point of view of agriculture they can be deemed to be non-existent.

1358. 95. In every *Tehsil* for instance Kulachi, Tank and Dera Ismail Khan.

#### Oral Evidence.

1359. *Chairman*: Do you belong to Kulachi Tehsil?—Yes. I belong to the D. I. Khan District.

1360. Are you practising as a lawyer in Peshawar?—Yes.

1361. At the same time you belong to the landholder class?—Yes, I have got land in the Punjab also.

1362. Have you personal knowledge and experience of agriculture?—Yes.

1363. You say "the majority of these borrowers are the litigious people *lambardars*, etc., who maintain guest-houses. The *lambardars* realize revenue and at once spend it up and then they borrow for payment to the Government". Do you think that most of the people indulge in lavish hospitality? Yes. Lavish hospitality and litigation are the two principal causes of indebtedness and I would add one more, namely, that there are credit facilities for them. It is their second nature to borrow simply for the sake of borrowing, which means that if they can get money they will not stop extravagance.

1364. They cannot find any proper use for it?—No. I will quote an instance. \* \* \* \* \* has an income of one lakh of rupees. He was very extravagant and but for the help offered

\* Names omitted.

by his own cousin his landed property would have gone. He ran into debt to the extent of 5 or 6 lakhs. Most of his debt was due to the fact that he is a mere wastrel. His enemy cousin came to his rescue and the land has been kept in the family. He had no business whatsoever but to borrow. The borrowing was unnecessary.

1365. You are really for restriction of credit facilities?—Yes, and for the Land Alienation Act. The Act has come to the rescue of the landholders and was enacted simply for the reason that the agriculturists should keep back the non-agriculturists from acquiring their lands. The Act was brought about for three reasons. According to the theory as propounded by Sir Theodore Morrison, the State had a living interest in the land, in other words, the land practically belonged to the State.

1366. This theory has been exploded?—It may be so, but if you refer to the speech of Sir Charles Rivaz, you will see that the State has got a living interest in the land. The theory may have been exploded for the economist but not for the *zamindar*. According to the customary law in the North-West Frontier Province, the heirs have got a *locus standi* to challenge unnecessary alienation and they will be in a position to set aside some of the alienations.

1367. You mean the collateral heirs?—Yes, collateral heirs up to the 5th or 7th degree. Thirdly, there is a fear that we may upset the economic life of the country. After all if the Government feels disposed to help the untouchables, it is bound to come to the help of the *zamindar* class also and give them all valid and legitimate safeguards. Under the circumstances, if you allow the non-agriculturist class which is more clever to own land,—I will refrain from using the word cunning,—the land is bound to pass away into their hands soon. The *zamindar* has only a smattering of education. I will call 80 per cent. of this fraternity absolutely illiterate. Here is a *bania*,—I do not say Muslim *baria* or Hindu *bania*,—and if the two are put together, the *bania* will have the upper hand. The *bania* knows accounts and knows how to read and write. So it is the primary duty of the Government to help the untouchables. They must provide safeguards, much better safeguards than this Alienation Act. I have nothing but admiration for the Land Alienation Act because it keeps the equilibrium of the society.

1368. What further safeguards have you in mind?—I will quote the instance of Egypt. There the Government takes good care to advance money to the extent of 20,000 guineas. They have got a bank which advances 30,000 guineas or pounds. Supposing I am a cotton grower, they will send some official to assist me. They will advance money to me at the best possible rate.

1369. Have you seen the note on the system of advancing loans against the security of cotton in Egypt?—I have not seen it but I know it. As far as the Land Alienation Act is concerned, I will suggest an addition.

1370. *Prof. Chabiani*: With what object?—To give more legitimate safeguards to the agriculturist in order that the agriculturist may retain his holding, the holding which has come to him from his ancestors. I will quote an instance. I am a personal victim of all this. My maternal uncle's son has been living with me for the last 4 or 5 months. He has practically disposed off his property with the result that he is a burden on me. I will request this Committee to give greater safeguards so that the agriculturist may be in a position to make a decent living and to check all unnecessary credit facilities to him.

1371. *Chairman*: Will you mention some concrete instances?—In the D. I. Khan district and in this district there have been *benami* or bogus transactions. I will avoid names. In the Kulachi tehsil there have been such transactions to the extent of 10 to 15 lakhs. Supposing I am a debtor I want to sell the land to a non-agriculturist Hindu moneylender. He wants to buy 500 *jaribs* from an agriculturist. He has got a debtor friend, a Muslim agriculturist, and he will ask him to bring about a transaction. I sell my land to the Muslim agriculturist. The funds are supplied by the Hindu gentleman. The debtor friend of the Hindu gentleman will execute a pronote in his favour, say to the extent of Rs. 20,000. That pronote will be in the form of debt. If the debtor misbehaves, the Hindu gentleman will threaten him with a suit, otherwise it is well and good.

1372. But the land will be mutated in the name of the Mahomedan agriculturist?—But the pronote with interest is swallowing the property.

1373. Supposing it went on accumulating, what will be the remedy of the Hindu money-lender?—If he does not get the money, he will come out with a suit which will be much more advantageous to the Hindu money-lender. He gets a decree.

1374. But he never gets the land?—No, but one agriculturist is ruined.

1375. *Nawab Major Mohd. Akbar Khan*: When this pronote is taken from the other man as security and when the man who stands surety falls out with the *bania*, does the *bania* take good care to take away his watermill, house property and all that he can touch?—Yes, all these and he will also attach his harvest, his *hujra*, his house in the city, etc.

1376. *Mr. V. F. Gray*: It then shows that the man has got some moveable property as a security on which he can get a loan?—Yes. What I am suggesting is that these *benami* transactions, as Khan Bahadur Abdus Samad Khan said, should be penalised, a penal clause being added to the relevant sections of the Land Alienation Act. There is another suggestion. According to section 66 of the Act all forms of mortgages are permitted in certain cases and permanent alienations could be effected with the sanction of the Deputy Commissioner. I would suggest that instead of the Deputy Commissioner we should substitute the local Government.

1377. *Chairman*: You know the scope of our enquiry. We are not examining into the possibility of a revision of the land revenue policy, or questions of that nature. We are concerned with the Land Alienation Act in so far as it affects our enquiry. Does it affect credit facilities?—I will keep myself within the bounds of the enquiry. Section 24 of the Land Alienation Act says that the local Government may sanction alienation in certain cases. This section should be repealed.

1378. You suggest that the moneylender is the master of the situation. How do you explain that? What sort of money-lender do you mean?—I think some of the ground has been traversed by Khan Bahadur Abdus Samad Khan. You have divided areas into urban and rural. I will rather sub-divide the rural areas. By urban I mean the district.

1379. Urban means town?—Yes. As far as rural areas are concerned, they will have to be subdivided. Hoti and Mardan are rural areas but they are subdivisions. There are small hamlets. In the real rural area the life is quite normal. There the *bania* is as much indispensable

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as the agriculturist is to him. But as far as Hoti, Mardan or Kulachi are concerned, the *bania* has urbanised his mentality. Formerly before the advent of the British, the Hindus of Kulachi depended on the Khans and the landowners of Kulachi. There were cordial relations between them. But now since the advent of the British rule and British law and the civil courts the Hindus in Kulachi have completely divorced themselves from the Muslim landowners and have allied themselves with the Hindu population of the D. I. Khan district or Peshawar district. Now the *bania* has allied himself with the urban moneylenders of the D. I. Khan town. His entire relations are with him. He has no concern whatsoever with the landholder of Kulachi. In former times he would always allow reduction in the matter of interest but now in view of the civil courts and in view of his brother pleaders in the town he is quite sure of a decree with all possible costs.

13-9. Is it not because he expects no sympathy from the Muslim agriculturists?—No. Unfortunately the Muslim agriculturist has been made the target of attack. If left to himself the *bania* would be content to depend upon the landholders; the difficulty is that he is being influenced by his urban friends. They say, "why should you care for the *Khan* or anybody in the village: here is your pleader", etc., He goes to the pleader and the pleader gets his fee. If I took Rs. 1,000 and if this debt had been settled by a village *panchayat*, it would have been decided at Rs. 1,100 or Rs. 1,200, but when I go to the civil court the entire decree means something like Rs. 1,500 or Rs. 1,600. Naturally I resent and say "He has gone to the civil court and he will attach my property; he will dispose of my belongings, my donkey, my rifles, etc. He is a bad neighbour". This man in the village is convinced that his real friend is in the urban area. He is more or less an urban resident in the rural area. Had he been a part and parcel of rural area, the thing would have been settled amicably. There is a section in the Civil Procedure Code under which cases can be settled by compromise. Unfortunately it has not been resorted to. What I am suggesting is that if he gives up his urban mentality the rural men will be content with the Hindu *banias* as their bankers.

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1381. Then you would not want any other banking facilities?—Yes, I do want. I was talking of the political aspect. As far as the financial aspect of the case is concerned, the indebtedness of the agriculturist has swollen during the last 20 years, and the credit facilities must therefore go. Agriculturists are in debt and it is the primary duty of the Government, if it wants to have recruits for its army from the Muslim agriculturists, to relieve them of their indebtedness.

1382. Would you advise the opening of agricultural banks?—We should take something from Europe too, not merely from the Punjab. Co-operation has been useful but it has not relieved the poor agriculturist of his indebtedness. Something more should be done.

1383. What more?—For instance, I have quoted the case of Egypt. I want to add one word more. It is in respect of credit facilities. I have brought the Usurious Loans Act. I can give you suggestions. I have put them down in my memorandum in broad terms.

1384. *Prof. Chahiani*: You seem to suggest that the debt has actually increased?—Yes.

1385. You mean the mortgage debt?—The entire debt has increased by compound and excessive interest and because of the credit facilities

that are granted to the agriculturist by the moneylender generally for unnecessary purposes.

1386. Are you aware that so far as Government figures for the Peshawar *tehsil* are concerned the mortgaged area has since the previous settlement and the yearly mortgage money since 1924 or even 1913 appreciably declined? Do you accept the Government figures?—I will accept the Government figures.

1387. I tell you that the mortgage area since the previous settlement has declined almost by half?—That is due to the Islamia college and education.

1388. In any case this does not support your general impression?—I have said about the entire debts, not only secured debts.

1388(a) Obviously whether the transactions were *benami* or otherwise, whether the mortgage is to the agriculturist or non-agriculturist, it must figure as mortgage to the agriculturist?—That question rather supports my position. A limit has been reached as to the borrowing capacity of the man.

1389. I am talking merely of facts. They don't support your general impression?—It supports my theory. I say that the limit has been reached and the creditor won't advance any more money.

1390. But the mortgaged area shows a heavy decline?—Because there is no area to show decline. Temporary alienations are always permissive.

1391. I am talking even of the permissive alienation. In the Peshawar *tehsil* the area mortgaged has declined and that heavily?—The productivity of the land has decreased.

1392. You are again giving a reason for it. I am not asking you about the reason. You say that indebtedness is increasing?—I gave you the facts about the D. I. Khan district, and I can give you the names of persons whose debts have reached a limit.

1393. Are you aware also that even in the D. I. Khan district year by year the total mortgaged area is on the decrease? In the D. I. Khan district the Land Alienation Act has been in force since 1904?—Yes.

1394. Has the object of the Land Alienation Act been fulfilled?—Is this Committee going to enhance his credit or to deprive him of his ancestral holding.

1395. We have come to consider first of all the question whether any increase of credit is desirable or otherwise and if desirable to increase the facilities?—My conviction is that the restriction should be made more severe, that the Mussulman agriculturist should not be allowed to squander away his ancestral property and that his ancestral property should be kept in tact.

1396. We are asking you to assist us, by giving us facts in support of your views?—The Muslim agriculturist in the North-West Frontier Province is a fool. He wants to squander away his ancestral property.

1397. In a word what you want is absolute restriction of credit?—No, I appeal to the Government for co-operative and other banks to teach him restriction of credit.

1398. For unproductive purposes?—Exactly. He should be penalised, he should be sent to jail.

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1399. Is the main problem the restriction of credit or expansion of credit, in your opinion at the present time? Considering that the agriculturist has made no improvement, is it desirable to restrict his credit facilities further or is it desirable in a measure to increase his credit facilities?—I am in favour of increasing his credit facilities so that he can really help himself—of some facilities from the Government only and no other credit facilities. I am in favour of a complete divorce between the *bania* and the agriculturist.

1400. And also between the banks and the agriculturist?—Banks do not count. In Kulachi nobody knows about banks. I heard the name of the Imperial Bank only in Peshawar. In Kulachi there is no bank. Rai Bahadur Karam Chand told you that it was only to his friends that he as a banker wanted to advance money. Banks have no concern with the agriculturist.

1401. *Nawab Major Mohammed Akbar Khan*: Even to me they don't advance.

1402. *Prof Chabiani*: I do not suggest that they do. Suppose we wish to recommend the extension of banking facilities are you in favour of it?—Yes. Banking facilities from banks like the Chartered Bank, and joint stock banks.

1403. If that is so, surely the joint stock banks must have a security to lend upon. The only security that an agricultural bank can give is a lease for 20 years under the Land Alienation Act?—Yes, or even more if the local Government permits.

1404. A bank in time of difficulty cannot easily put leases to auction?—It can; according to 75 Indian Cases, page 271, there is a classical judgment by the Judicial Commissioner of our Province in which 20 years lease money was held to be equivalent to the actual market price of the land. If the lease money for 20 years is secure with the bank, instead of robbing the poor agriculturist of his property, the bank gets the money value of his holding and the land is still retained by him.

1405. If a bank has got a right to sell leases only for 20 years, will the market take so many leases of the land?—People are buying it occasionally. I am in favour only of mortgaging or leasing his property up to 20 years but I am always against alienating his property.

1406. What about creating a security for a bank to lend against?—I have suggested co-operative banks. I am not against other banks too. For starting co-operative banks there should be money, there should be proper organisation.

1407. If the income from land in a particular year is sufficient to meet the interest on the debts it is all right. But when the debts go beyond it, the co-operative bank will not be able to lend much?—In the Punjab they have lent 3 or 4 crores. There are different forms of co-operative societies. 'A' has got 3 co-operative banks, one for providing finance for marriages, another for illness and a third for education. He says he has enough money.

1408. How much can these co-operative banks lend to one single individual?—His bank lends about Rs. 10,000 to one individual.

1409. Do you know if the co-operative mortgage bank in the Punjab to which you refer is lending substantial sums of money for long periods?—I think it is.



1410. How many mortgage banks are there in the Punjab?—I know of one at Lyallpur. It is lending money to the extent of the value of the property mortgaged. The mortgage debt is in thousands.

1412. These mortgage banks have been in existence only for a few years?—But they are flourishing.

1413. You know that a limit is placed upon borrowing. Have you any experience of a crisis which these mortgage banks in the Punjab have weathered?—There has been no crisis as far as I know. They will stand any crisis.

1414. Do you know the limit of borrowing?—They started in Germany.

1415. In Germany there is no Land Alienation Act. Are you aware of any country in the world where a mortgage bank has been started on the security of land subject to laws like the Punjab Land Alienation Act?—Punjab. It is a big province.

1416. Do you know the system in the Punjab? Can you give an instance when such a mortgage bank tried to sell in the open market leases for 20 years and actually got back the money lent in this way?—The mortgage banks in the Punjab have had no difficulty so far.

1417. You say that the landowners in the main are no believers in the payment of debts. Do you think a man of that sort can be safely lent money by even a co-operative bank?—Yes if he is not given a long rope as the *bania* does give him.

1418. You say all the debts are secured except those for current purposes. Therefore the debt to the money-lender must be very small?—I tell you, security or no security, the *bania* is prepared to give advances.

1419. You have said in answer to questions Nos. 25 and 26 that all debts are secured except those for current purposes or in your own words, "except current accounts all the loans are secured". Therefore the only open debts to the *bania* can be for current accounts?—Yes.

1420. In answer to question No. 83 you say "that Muslim moneylender is as bad as his Hindu confrere". Does he charge high rates of interest?—Sometimes worse.

1421. Does he charge compound interest?—He goes for usurious interest.

1422. Does he keep the mortgage?—Sometimes yes and sometimes no.

1423. If he is an agriculturist, is it yes or no?—Yes.

1424. In answer to question No. 79 you say, "the majority of them can save 25 per cent. to 50 per cent.". What do you think would be the economic holding of a family in Dera Ismail Khan?—Of unirrigated area I should say about 200 *jaribs* or 100 acres.

1425. And irrigated area for a family of 5?—I think about 15 to 20 *jaribs*.

1426. What percentage of land owners in D. I. Khan have got 15 to 20 *jaribs* of irrigated land?—I cannot say.

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1427. Do you think it is a majority or a minority?—I cannot say.

1428. You talked of *benami* transactions. When a money-lender, whether Hindu or Muslim, gives a loan on land through an agriculturist the latter makes over the produce of his land. Can that produce be less than the rate of interest?—Sometimes it is less sometimes it is more. He is going in for a *benami* transaction. He must see to it that he gets such produce as will be equivalent to the rate of interest charged.

1429. But normally he has no temptation for *benami* transactions unless he can get the equivalent of interest?—Sometimes he does it to get a footing. His debt is secured in the form of a pro-note.

1430. The agriculturist friend will not take any responsibility unless the produce from the land is about equal to the interest which he has agreed to pay the non-agriculturist creditor. Why would the agriculturist friend take up this responsibility unless he is pretty sure that the yield from the land is at least approximately equal to the interest?—The agriculturist unfortunately happens to be in his hold. He is himself a debtor. The moneylender invests at 3 per cent., sometimes at 6 per cent. and sometimes at 9 per cent. He thinks that the land is safe and therefore likes a part of his capital being invested in land irrespective of the question of the yield. He cannot do this directly.

1431. Obviously therefore it means that even when a little increase in security is available through *benami* transactions the money-lender is willing to reduce his interest?—Not for the sake of security. The security is in the form of pro-note.

1432. You say that the land is pretty safe and therefore he gives loan?—He has a fancy for being called a landlord. Therefore for the sake of the name he is prepared to take the yield even if it is less than the interest.

1433. *Nawab Major Mohd. Akbar Khan*: Khan Sahib, you just mentioned that you wanted the Egyptian form of loans to be introduced here?—By Egyptian form of loans what I mean is that there are probably some communities, I think if I remember correctly the Greek community, who advance money through the Government and do not charge any interest whatsoever for these three or four months of cultivation to the farmers. So, what I wanted this Committee to recommend was that something on the lines of the Egyptian system should be introduced if possible.

1434. You think that money should be advanced to the agriculturist on the promise that the crop should be delivered to the firm which advances the money and no interest should be charged?—Yes, and besides, the creditors or the bank should provide marketing facilities and give the farmers the best possible market rates.

1435. I have been to Egypt and I can verify your statement. The Greek community generally advances money and they take up the crop, especially cotton. I was in Egypt for 11 months. and I am saying this from experience?—It is good that the Member endorses my statement.

1436. What is the chief product of the Peshawar District? I don't mean of the unirrigated area, but of irrigated area. What particular product is largely grown?—Sugarcane and cotton.

1437. You think that sugarcane or cotton crops should be financed by some company who should secure the standing crop on the Egyptian system?—Before I say some company, I should say the Government. We are as good a charge on the consideration of the Government as the untouchables of Southern India.

1438. Once upon a time, Tatas took up this question and sent a man by name Mr. Brown. He came up to Delhi and made enquiries if the land owners of the North-West Frontier Province would be willing to lease out their sugarcane fields if they advanced money on the Egyptian loan system?—That would be splendid. But the advance or credit should not be in the spirit in which the *bania* with his usurious mentality is advancing to us.

1439. What do you say about these leases to non-agriculturists. You as a flourishing advocate must be in a position to throw some light on it?—I don't know; I am more or less very conservative in this respect; I am a die-hard sort of a fellow. My impression is that the Land Alienation Act is a very modest legislation. It must be made more strict. The position is like this. Supposing there is a land-holder who has got about 100 *jaribs* of land. Under the Land Alienation Act he can lease out for 20 or more than 20 years with the sanction of the Local Government. If he is permitted to lease out his holding of 100 *jaribs* for 20 or 30 years, what is to be done for his family in the meantime? I want to have some restrictions on his leasing capacity as well. My position is that in this respect too the Land Alienation Act must be made more strict. The land is to be more or less a fixed capital for him to rely upon on a rainy day.

1440. Just as a corollary to what the Professor had in his argument with you, I am putting this question. Will there be people to buy the 20 years' lease from a non-agriculturist if he was to come into the bazaar and offer to sell it at a reasonable price?—Land is always saleable. We know it for certain, as I quoted authority from a well known ruling\* of Mr. Pipon, Judicial Commissioner of this Province, that 20 times the land revenue amounts to the actual value of the land. After all if the land is worth Rs. 20,000, we can easily get Rs. 1,000 within a year, this Rs. 1,000 may be sold, because it is a saleable commodity.

1441. It may fetch Rs. 18,000 instead of Rs. 20,000?—Government securities, if they are sent to market don't fetch face value. If the Government securities with all their pomp and show cannot fetch face value, we cannot expect a *zamindar's* land to fetch its face value.

1442. You said something in your memorandum that the Usurious Loans Act is not availed of in this Province?—We have got it, but I call it a dead letter.

1443. Why?—This Act was enacted in 1918. If you just have a look at the Act you will hardly find a ruling of any High Court in it. So it is a dead letter. I have been practising for the last 12 years in this Province and I should say that I have been able to use it in one or two cases. It is a dead letter because of the following reasons:—

(a) The defendant, the debtor, in the first place is not in a position to engage a counsel. Had he any money, he would have paid his creditor. When he comes into court the creditor takes care that the matter is compromised, and he (defendant) is very much pleased with a long rope. He thinks that the day of reckoning has been postponed for some time.

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\* 75 Indian Cases.

So there is a compromise, and then he (debtor) sleeps over the thing. The decree is a valid decree, but generally you get compromise decrees.

(b) The other reason is that in the case of the Limitation Act, and the Court Fees Act, the court is required to see whether the question has been raised in the plea or not, that the provisions of the Act have been properly complied with. Now I will request this committee to recommend in clear terms that the application of the Usurious Loans Act should be the primary duty of the courts, because I see that in cases where a debtor is sued he knows that he has given a bond, which is sometimes registered, and sometimes only stamped, or a pronote, and he knows further that the decree is inevitable. So instead of attending the court, because there is a provision in the Civil Procedure Code that in case of money decrees when the decree is passed the man (debtor) can be sent to jail, and the Pathan is very much afraid of civil jail; he leaves the court and says "let there be an *ex-parte* decree". So I would recommend that in all cases, whether contested or not, it should be the duty of the court to apply the provisions of the Usurious Loans Act. I would like to make this suggestion in respect of this Act—Section 3 says:—"Notwithstanding anything in the Usury Laws Repeal Act, 1855, where in any suit to which this Act applies whether heard *ex-parte* or otherwise, the court has reason to believe, (a) that the interest is excessive; and (b) that the transaction was as between the parties thereto substantially unfair . . . .". Instead of the word "and" I would suggest the word "or", because it is difficult for the debtor, who has got no document whatsoever, to substantiate his case.

(c) Thirdly, Sir, I will quote law, because—I am sorry I am rather talking shop—I deal with law. In the case of the Hindu families the presumption of law is that the members are joint, and in the case of Muslims the presumption under customary law is that the members are not joint. So in such cases I would respectfully suggest that the presumption of the law should be that the interest is excessive or that the transaction is substantially unfair, so that it should be for the other party to rebut that presumption.

1446. You know that we are sitting here only in connection with banking. I am sorry that we have not got powers to amend any legal enactment. That is not the work of this committee?—After all this committee would make certain recommendations.

1447. *Mr. V. F. Gray*: But the Usurious Loans Act is an Imperial Act?—I refer to this Act, because it is mentioned in the Questionnaire.

1448. *Nawab Major Mohd. Akbar Khan*: What is the state of affairs in the Kashmir State?—I think a law has been enacted in Kashmir on the lines of the Punjab Money-lenders' Bill. Broadly speaking, the first relief that an agriculturist has is that if a suit is instituted (I read in the papers) against an agriculturist debtor in Kashmir,—and generally, I may mention incidentally here, that the creditors take jolly good care to institute suits at a time when the agriculturist is busy—at a time when he is busy, the case instead of being decreed *ex parte* should be postponed till he is free. That is one thing. Then I think on the lines of *damdapat* system they have suggested that the interest can be only equal the principal. This *damdapat* system is prevalent in the Bombay Presidency. I know. For a principal Rs. 100 they only get Rs. 100 as interest. So, if a native state is advanced enough to introduce such salutary laws for the protection of its agriculturists, I think that is all the more reason that this Government should take the necessary steps to relieve the poor peasantry of the Province.

1449. What do you say of the *takavi* system?—I don't think that the system is defective. I like it very much. I have nothing but admiration for the system, but the working is defective. I know it as a fact that it is working satisfactorily, but the money advanced is very little. This year they advanced 4 lakhs to the D. I. Khan District (I belong to that District). I would suggest that it should be 10 times this amount. The interest from 6 per cent. to 7 per cent. is quite reasonable. About the *takavi* system I may again respectfully urge that there should be a separate department created for it, because the present Revenue Department, the Revenue Extra Assistant Commissioners, etc., are already over-worked, and they cannot work it satisfactorily. But it is very popular. I have not heard in any District that the *takavi* which was sanctioned by the Government was ever in arrears. But the system should be modernised. The method is bad; the manner of distribution is bad. First of all there should be propaganda in support of it, and then if the Government is unable to do anything, as I suggested in my previous examination, at least they should allow ten times more than the amount which they now grant.

1450. What do you think about the limitation period?—I think that was the question put to me by the learned Professor, the Member of this Committee. In reply to question No. 1, I said "the land owners in the main are no believers in the payment of debts. They contract debt and leave a legacy of unbearable indebtedness to their children". So, this sentence was rather cryptic. What I meant was that the land-owner was in the habit of sleeping over his rights, and liabilities, and the *bania*, whom I described in the beginning also, wants to give him a long rope. When you get a man who is in the habit of sleeping over his liabilities and when a creditor allows a long rope, then God save the poor descendants of this idiot! I should suggest that it should be one year with the proviso that the adding of compound interest should be forbidden; but I am absolutely against enhancement of the limitation period to six or ten years.

1451. But I don't think the land owner has got money to improve his land and buy cattle. If the period of limitation remains one year, naturally the *bania* or the small land owner who advances money will have to renew the bond and the result will be that all the interest will be accumulated every year?—You will have one redeeming feature. At least you will inculcate in the agriculturist the habit of not sleeping over his liabilities. Generally the landowners are very lethargic fathers of the unfortunate children.

1452. There may be a few lethargic fathers, but you cannot infer from that that the whole community is lethargic?—I think cent per cent are lethargic.

1453. *Mr. F. F. Gray*: Surely you don't really mean cent per cent. of fathers?—That is why the debts are accumulating. See the proportions to which the debts have risen within the last 20 years. Say 80 per cent. or 90 per cent. I was very bad in mathematics; but having a very sad experience I am tempted to exaggerate.

1455. *Nawab Major Mohd. Akbar Khan*: May I know whether there should be any industrial banks in this Province?—I think there is no harm.

1456. As an agriculturist you are not interested?—I am interested in one thing and that is how to relieve the indebtedness of this unfortunate wretch and how to create credit facilities for his productive activities and to restrict all facilities whatsoever for his unproductive and extravagant activities.

*Mohd. Aurangzeb Khan.*

1457. I think you go occasionally to Abbottabad?—Yes; my nights are generally spent in the railway train, whenever I go to Abbottabad.
1458. You must be knowing something about the affairs there?—Not so much.
1459. Well, I say, have you seen the exaction of services from the cultivator by the land-owners, or is it generally the practice with the *banias* to ask their debtors to be *chaukidars* of their houses?—I think, Sir, if no relief is granted to this unfortunate wretch the time is not far off when he would become the hewer of wood and drawer of water.
1460. *Chairman*: Have you noticed any instances?—Only in cases where the landlord is very exacting. But the landlord more or less looks upon his tenantry as his children, and if he exacts services he remits the whole crop to the cultivator.
1461. *Nawab Major Mohd. Akbar Khan*: What about the *bania* when he advances money? Is not it the custom that the *banias* take *chaukidara* out of their traders?—Shylock lived in old times, but his spirit is always here.
1462. In D. I. Khan what is your impression?—If the debtor is not to do the *chaukidari*, the *bania* is not going to keep a paid *chaukidar*; that is too much for him; that will disturb his budget.
1463. *Chairman*: Is it a common thing?—It depends upon the indebtedness of the person.
1464. I think it depends upon the person himself?—More particularly in Hazara, because it is a poor district.
1465. *Nawab Major Mohd. Akbar Khan*: Their sole object is to lend money to the people and that when they become insolvent, they should become the *chaukidars* of their homes?—I think it is high time in order to maintain the cordial relations between the two, the agriculturist and the *bania*—it is a very unpleasant observation by me—that there were complete divorce between the two.
1466. *Chairman*: You have taken rather a pessimistic view of the position?—Pessimistic based on experience.
1467. *Nawab Major Mohd. Akbar Khan*: Can you state the rate of interest?—It has been said here that the big land-owners advance money to the small peasant proprietors and they take their holdings on mortgage and finally take them over. Both as a lawyer and a landlord, would you tell us what the difference between the rate of interest charged by a *bania* and the small land-owner who takes the holding on mortgage is?—You cannot choose between the two *banias*, the Hindu and the Mohammadan. As far as the Mohammadan *zamindar* who advances money to petty inhabitants of his village is concerned, I have heard of many clashes between the two. The Muslim is a creditor first and Muhammadan next. For instance, we have got the Miankhels of Nowshera who are creditors first and Muslims next. Their rates are frightfully exorbitant. The creditor all over the world has no soul, as we say in Asia; he would like to have more and more and he is never satisfied, whether he is a Hindu or a Mohammadan. That is why I proposed that there should be co-operative societies as in the Punjab, and there should be some Government banks for the sole purpose of making advances to the agriculturists.
1468. Leaving alone the Kakakhel Mians who, I agree, are worse than many *banias*, generally when a land owner advances money to a man

with a small holding and takes over his property in mortgage, what rate of interest does he get?—He gets only the lease money if it is mortgaged with possession, and sometimes when the harvest is bad he shows further leniency.

1469. In your opinion what is the percentage on the capital, leaving alone the *Miangans*, who are worse than *banias*?—It is not very high; I should put it in guarded language.

1470. You are a landowner; you must know at least approximately?—Say 8 per cent. to 12 per cent.

1471. And that of the *bania*?—In the case of petty loans 100 per cent. If the amount is not recovered at the first harvest, it would be Rs. 150 at the next harvest or sometimes Rs. 160. I mean to say, that if Rs. 100 is advanced, it is stipulated that he should get Rs. 180 or Rs. 190, a little less than cent. per cent.

1472. *L. Bal Kishan*: You have suggested to this Committee that these *banami* mortgages are rather common here, and that after the period of three years if the interest is not recovered on the loan from the agriculturist, it is added in the pro-note next year?—The pronote is kept alive. The land is in the name of the Muslim agriculturist, a friend of the Hindu, and the pronote is in his own name.

1473. After three years if the interest is not recovered from him?—He will sue.

1474. If he does not go to court?—He would add the interest to the principal and get another pronote. I will explain the position. Supposing somebody advances me Rs. 900 and the interest comes to Rs. 100. He will get a pronote of Rs. 1,000 from me including interest, and after a year if I don't pay him the money in time, he will sue me not for Rs. 1,000 only but for Rs. 1,100.

1475. Is that the practice here?—Yes, it is. If he goes to court, his urban friend will advise him not to remit any thing.

1476. *Prof. Cheblani*: If he does not sue him after three years?—Then he will add the interest of three years and take a new pro-note. Subsequently he could obtain a decree on the basis of the pronote which would be supported by the statement of the debtor I will explain the position. Supposing I am advanced Rs. 700, and I don't pay interest for three years. Then after three years a pronote is executed for Rs. 1,000 for cash payment. Then after three years again, I do not pay. Then the principal becomes Rs. 1,300. If the creditor does not choose to go to the court, he will get a pro-note for Rs. 1,300, because he is not going to spoil his *bahi*.

1477. *L. Bal Kishan*: In answer to question 56 you say that the money-lender does not combine other business with banking, but most of the *banias* have a shop at the same time?—Supposing he is a shop-keeper, he advances cash and generally he supplies commodities also on credit; so that in an indirect form that is banking too.

1478. Every tradesman is a money-lender according to you if he advances goods on credit?—Yes.

1479. You stated in answer to question No. 84 that cheques should be written in Urdu?—One chief complaint of the Muslim debtor is that the *bahis* of the *bania* are written in a language unintelligible to him.

1480. *Mr. F. F. Gray*: Such is the case with English too. Is there any reason why they should be written in some other language, say, Urdu?—It is the court language almost everywhere.

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1481. *Chairman*: No; it is only in the Punjab; in U. P. we have got Devnagari; of Madras and Bengal I am very doubtful and in Ajmere it is Hindi?—Urdu is the most widely spoken and the most used language.

1482. *Mr. V. F. Gray*: You mean the language of the District, the vernacular?—Not the vernacular but I would recommend Urdu for this District.

1483. But not for the whole of India?—Yes, for the whole of India. In Southern India in Hyderabad I think Urdu will be the *lingua franca*.

1484. *Prof. Chabiani*: No, there most people speak other languages?—But Urdu is supposed to be the *lingua franca*. I take it to be the *lingua franca*.

1485. *J. Bal Kishan*: Is there any particular reason why Urdu alone should be used in cheques?—You have to take into consideration the conservatism of the people.

1486. Have you any objection to other vernaculars?—I have not suggested that there is any objection, but since I was asked what vernacular I would recommend, I recommended Urdu.

1487. You say in answer to question 93 that the Imperial Bank is popular. Can you give any suggestions to make the Imperial Bank more popular?—The Imperial Bank will become more popular if it does humane work; if it undertakes to advance money to the agriculturists, but so far the Imperial Bank is only concerned with trade and with other indigenous bankers.

1488. If you have co-operative societies to finance the agriculturists, the Imperial Bank in that case will compete with them?—I am not against competition, because it will lower down the rate of interest.

1489. Are you in favour of the co-operative movement?—Yes, because co-operative movement has got its own distinct characteristics.

1490. You suggest that Government should advance money for crops; without interest and should arrange for the marketing of the produce. Do you mean to say that the Government should do all this without any remuneration?—They must have remuneration, but on reasonable rates. Interest generally is remuneration. But if the Committee can get us something on the lines of the Egyptian system, I would put that first and this second, because we may have two or three systems in vogue at one and the same time, and if there is competition it would lead to the good of the agriculturists.

1491. *Mr. V. F. Gray*: Even if the Government want money, they have to float loans at 5 per cent. You say that the Government should not do it from mere commercial motives?—But the Government should take this fact also into consideration that the agriculturist wants money, and special facilities should be provided for him in order to relieve his indebtedness. If this consideration is borne in mind, I do not object to Government running a bank at a loss.

1492. If Government lends money to you at cost price, they will stamp out every other bank, who would not be able to compete with Government. Would Government agree to lend you all you want?—If the Government wishes to do so, they can.

1493. If Government lends at cost price, they would destroy every form of banking. It always kills an industry that finds itself in competition with the State concern?—I have not heard of that. Government is very strict in not competing with anybody, and I want the Government banks to help the co-operative banks too.



1494. You said that money should be advanced for crops, I thought you meant to the agriculturists directly?—Yes.

1495. If these banks lend money to the agriculturists, they would charge some rate of interest, say, 6 per cent. to 9 per cent?—We have got the Government *takavi* system: it charges about 6 per cent., and we have got these indigenous bankers—working simultaneously—but the one system has not eaten up the other system; but I have made my own submission that as the *bonia* advances at the rate of 40 per cent., the *takavi* rate is very reasonable.

1496. Because the amount lent is so trifling. Well, why not encourage the good banks and leave out the money-lender?—I have not heard of any bank so far which advanced anything to the agriculturists.

1497. Because they have got no security for it?—Even before the Land Alienation Act the bank never advanced anything to the agriculturist.

1497(a). I want to emphasize that the banks do not refuse to advance to the agriculturist because there is no security?—Since the advent of the British Raj no British bank, no Government bank and no commercial bank has ever advanced money to the agriculturist. It is only a sort of excuse with the banks. They have never advanced him even before nor after the Land Alienation Act. As far as the Land Alienation Act is concerned, it has not influenced the credit facilities afforded by the bank in any way.

1498. Do you wish that we could induce them to do so?—Yes, if you like. But the Land Alienation Act has not influenced the credit facilities, because the banks from their inception thought of financing only commerce and trade.

1499. They want a quick return?—With the agriculturist they would also find a quick return, but the only difficulty is that so far they are not acquainted with the conditions of the district.

1500. Supposing a new form of banking is introduced, how would you expect them to get in touch with the agriculturists? How could they lend to the various people without intimate knowledge?—You mean, Government banks.

1501. The bank we may recommend, central bank or co-operative bank?—I think, there should be intensive propaganda in favour of banking carried on amongst the masses; we should introduce the bank to them and they should be introduced to the bank. I do not think that in my tehsil or my birth place, which has got a population of 4,000 or 5,000 anybody knows the name of a bank. I will never recommend that the money of the Government or the money of the indigenous bank should be swallowed up by the agriculturist. What I recommend is that the agriculturist should be taught to borrow from the bank and the bank should be taught to lend to the agriculturist and should be told in addition that the Land Alienation Act has nothing to do with the security because in the case of *takavi* not a penny has been lost so far. So, if we can return the *takavi* to the Government, we can also return the loans to the bank. The mistrust between the bank and the agriculturist should be removed.

1502. *Chairman*: If a default occurs in the payment of *takavi*, what happens? There must be some cases in which default has occurred?—No default ever occurs. I may tell you that the revenue of Peshawar District was in arrears for so many years, and when once the Government decided to realise it, they realised it without difficulty.

1503. By the sale of land?—By mortgaging, and leasing land and thus, without depriving the unfortunate family of their ancestral property, the loans were satisfied.

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1504. *L. Bal Kishan*: What is the legal position?—The Government can realise it through the revenue authorities.

1505. How? What is the method in the last resort?—By attachment and sale of crops.

1506. *Mr. F. F. Gray*: Government has greater powers for recovery than the bank would have.

1507. *Chairman*: I think Government has a right to sell the land in *takavi* cases?—In view of the Land Alienation Act the land could be sold to the agriculturists only.

1508. *Mr. F. F. Gray*: Then it might be sold by Government, but not by the bank.

1509. *Chairman*: Even under the Egyptian scheme that you have been referring to, Khan, Sahib, the Government has a right to sell the security and charge interest?—So far I do not know of any case in which any land has been sold on account of *takavi* arrears.

1510. *Prof. Chabiani*: The *takavi* is advanced to you merely for the crop.

1511. *Mr. F. F. Gray*: You very lightly passed over the question of attaching the crop or leasing the land for 20 years. You suggested that 20 years' land revenue is equal to the value of the land. So if land can produce Rs. 1,000 a year, the value of that would be Rs. 20,000 and therefore you ought to be able to borrow on this land worth Rs. 20,000 about Rs. 18,000. I say if you have Rs. 18,000 and invest it in Government bonds you would have Rs. 48,000 in 20 years and not Rs. 20,000?—I could not follow the question.

1512. Rs. 18,000 for 20 years at your own rate of interest amounts to Rs. 48,000?—If the Government has got only commercial motive in its mind.

1513. I am talking of an ordinary man and not of Government. Therefore if you have got a lease of land which produces Rs. 1,000 a year, and the money advanced is Rs. 20,000; the revenue only pays interest at 5 per cent. and the capital is never repaid. I am taking the case of money earning 5 per cent?—That is what I say, that there should be no commercial motives.

1514. But all your Government loans are at 5 per cent. and Government has to pay 5 per cent. Who is going to pay the deficit?—Government will be repaid in the form of revenue: in the form of better soldiers.

1515. But there is no enhancement in the revenue; revenue is the same?—Government would lose the revenue if the land remains barren or if it is not cultivated.

1516. Supposing it is cultivated and the man does not pay and runs away?—In that case also the Government will be the gainer indirectly in the form of revenue; in the form of better soldiers, etc.

1517. You suggested that in your district 4 lakhs have been sanctioned as *takavi*, and you say that it should be ten times, *i.e.*, 40 lakhs. The other districts may make similar demands as well. How many districts are there in your Province?—Five.

1518. And how many districts are there in India and what would be the total amount required supposing other districts might have similar demands to make?—I am told that this Committee is meant for the Centrally Administered Areas only.

1519. Yes, but we cannot recommend that the *takavi* granted only to Centrally Administered Areas should be increased; we cannot be expected to recommend concessions only to the Centrally Administered Areas?

—Well, you see, that on account of this little disturbance in Afghanistan practically the whole of Peshawar has been ruined. So we are taking these onerous duties after all for the sake of the Empire.

1520. Do you know that the expenses of this Province are to a large extent borne by the exchequer of India?—But you lose sight of one fact that if you had not got these stalwart Pathans on this frontier the position would have been quite different, and I think the gate would have always remained open. It is the inhabitants of this Province who are the gate-keepers of India.

1521. Do you think we ought to make a definite recommendation from this Committee that we ought to lend more money to the Districts of this Province on this account?—We are more or less a charge on the Government of India. We are a liability. The Province is a liability province, and it was not for our sake that the province was separated from the Punjab.

1522. Then you would not get your concessions if you were linked with the Punjab?—I expect the Punjabis would have been more considerate than the Government. The Province was not detached from the Punjab on our request. It was detached, because it was considered to be an Imperial charge. If I am supposed to be a ward of the Empire, I think the Empire should show an imperial concession.

1523. You want us to recommend that though Government has to pay 5 per cent., they should charge less on their loans to the agriculturists in view of the conditions of the country?—If you take the view of a considerate Government, I think the first duty of the Government is to do like that.

1524. If banks were introduced or spread in the Province, would the fact of their offering safe custody for documents and jewellery make them at all popular to the people?—But most of the jewellery has already been exhausted.

1525. But rather than hoarding their jewellery, would there be any encouragement to them to deposit it with a bank for safe custody; would that make the people more familiar with the bank?—Yes, that will have a very great educative influence.

*(The witness withdrew.)*

### **Rai Sahib MEHER CHAND KHANNA, Landlord, Banker and Contractor, Peshawar.**

#### **Replies to the questionnaire.**

1526. I will like to make my position clear in the very beginning. I am not conversant in a very great degree with the banking system current in the villages but I will try to make an effort to give my views relating to the urban area.

1527. 1. It is purely a question of statistics, which if an attempt is made, can only be ascertained by the N.-W. F. Administration.

1528. 2. The rate of interest current in the city of Peshawar for *bona-fide* business purposes ranges between 8 per cent. to 10 per cent. and the method used for calculating interest is the ordinary banking method. The loan is generally given for a specified period and the banker, as a rule, is rather strict about the repayment of the principal and the interest. If the debtor is prompt the creditor ordinarily never harasses him. But the day he finds that the debtor cannot conveniently pay the interest the natural inference he draws is

that the position of the debtor is shaky and a case is at once lodged in a civil court.

1529. In Peshawar the loans are generally advanced against the regular mortgage of property, hypothecation of the stock-in-trade or on personal pronotes. In case of mortgage proper care is taken that the property in question is practically double in value of the loan advanced and in that of hypothecation 25 per cent. to 30 per cent. margin is kept. In both these cases the creditor takes care that the risk is insured against fire. Personal pronotes are only accepted from very respectable firms.

1530. 3. I would like to divide this question under two different heads:—

- (a) Legislation,
- (b) Legal procedure.

(a) The Land Alienation Act as a part of legislation has affected very adversely the credit system. It has not affected the non-agriculturist banker so much as it has done the petty zamindar. The non-agriculturist banker will not advance a single penny against the land which cannot be alienated and the natural consequence is that the zamindar has got to go to the agriculturist banker who having him at his mercy likes to collar the land at a very low price or demand a very prohibitive rate of interest. This Act is doing away with the petty zamindar and as far as I can say, is against all the principles of protection, equity and justice.

(b) The legal procedure is unnecessarily long and cumbersome and with the increased court fees has become all the more expensive.

1531. 4. Yes, please refer to answer No. 3.

1532. 10. No, I do not wish to suggest any enactment in connection with the publication and regulation of accounts. In fact I am totally against it. Any such legislation will result in the straining of the relations between the banker and the zamindar as well as making the money market still more tight which is bound to affect the business and trade very badly. My confirmed opinion on the subject is that the dealings between the parties are pure and simple business dealings. Such legislation is bound to give one the clear impression that a money-lender is nothing short of a robber or a dishonest individual while on the other hand the zamindar is depicted to be a very poor, innocent and ignorant individual. Most of the evils have followed in the wake of the Land Alienation Act and the sooner it is done away with, the better.

1533. 11. Not any to my knowledge. In case of disputes the only agency resorted to is the civil court or private arbitration which is very rare.

1534. 18. The principal crops of the Peshawar District are sugar-cane and grain. The sugar-cane is pressed and gur is made out of it. Nearly all the big zamindars have their own pressing machines. After the process is over, the gur is sent to the village money-lender who had previously advanced money to the zamindar in order to liquidate the debts already incurred. The village money-lender then sends the goods to the city dealer who in turn makes him an advance to the extent of about 25 per cent. or more according to the quality of the commodity. The goods are then sold to the exporting firms, who pay off by four weekly instalments. The goods are generally exported through the local banks where the parties have limits according to their own respectability. Big zamindars who are under no

debt send the goods to city direct. Practically same is the case with grain. The banks as a rule are also prepared to make advances to the extent of about 75 per cent. on grain, if stored within their own godowns, but generally preference is given to the local *sahukar*. The main prejudice against the bank who can even advance at a lower rate is due to the fact that the firms do not wish to expose themselves in the eyes of the public and more specially their professional brethren for overtrading or not working within their own means. I am sure it is understood that the banks have to follow their own rules by levelling their godowns while the local *sahukar* does not feel the necessity of doing so.

1535. 19. The big *zamindar* who has no previous liabilities to meet brings the goods straight into the market, and leaves it with the local *sahukar*, who in turn charges him the godown rent, pay of chowkidar and commission or brokerage at the time of selling the goods. Credit is easily extended to the extent of about 80 per cent. against the security of goods offered.

1536. 46. Partially answered above. The indebtedness relates to two classes—the merchant class and the contractor class. The facilities that exist for them are (1) recognised banks (2) private banker.

1537. 52. (a) (i). From village, it is mostly the village money-lender who is responsible for bringing the goods into *mandi*, and at *mandi* there are various persons who are prepared to handle the goods for the sake of profits that they make out of it.

(ii) The persons who handle such goods have their credit facilities arranged at some banks who see that the goods are cleared through their clearing and forwarding agents, at port stations. The documentary bills are forwarded to their own branches or agents for realization. When this is done the balance of the amount advanced is paid to the dealers after deducting bank commission and other out of pocket expenses.

(b) (i) For importing goods the banks play a very important part by advancing money to the exporting firms on the presentation of documentary bills. In this business the *sahukars* (*arhtis*) who have their connections at port stations also take part.

(ii) The bank helps a great deal in bringing the goods to the consumers' door by its various branches and agencies.

1533. 55. Both Hindus and Mohammadans; but the latter are shy on account of their religious scruples.

1539. 56. A money-lender generally dabbles in a side line and to my knowledge there is a very small percentage of those who live exclusively on money-lending.

1540. 57. To a very great extent. He does not bother himself with investments in industrial concerns as firstly he is not literate enough and secondly he would rather loan the money himself at a reasonable rate of interest, which he can always do than let it pass into the hands of other industrial concerns.

1541. 62. The bankers in Peshawar usually pay 5 per cent. on current deposits and so attract big amounts from business men when their funds are lying idle. This of course is not the case with the banks who in the first instance never pay more than 2 per cent. and secondly will only pay if the amount in question remains with them from the first till the last day of month. The rates of interest vary in different seasons. The *sahukar's* rates are from 6 per cent. to 9 per cent. according to amount, period and respectability of the firms.

*Rai Sahib Meher Chand Khanna.*

## Oral evidence.

1542. *Chairman*: Rai Sahib, you are a banker here. Would you describe your activities?—I am an indigenous banker as well as a local director of a joint stock bank.

1543. Is Peshawar your home?—I was born and bred here.

1544. What do you think of the relations between the *zamindars* and the bankers now?—At the present moment I daresay they are not very good. No banker would like to advance money to the *zamindar* because there is no security in return and that is my position. The money would naturally be, I will say, entirely at his mercy. My position in the Frontier as a Hindu is rather very difficult. If I advance money there is a very great chance of my losing it. If I do not advance I incur animosity. I do not know where I stand actually.

1545. You say if you advance your money you cannot get your money back. What particularly are the difficulties?—The difficulty is that there is no security. That is one. We Hindus here are not considered to be a very strong factor. We are at the sweet will and mercy of the *zamindar*. My only remedy therefore is to go to a court of law and my trouble actually starts after I have obtained the decree and when the decree has to be executed. It is rather difficult to have the land attached. If you have it attached, the only course is to put its lease to auction.

Who will buy it?—We are not living in a mixed area. If I have a mortgage on a house in a Mohammedan quarter I cannot buy that house because I cannot live there. The only man who can buy that house is a Mohammedan. As director of a bank I can tell you that in many cases the property had been put to auction and people did not come forward to buy it on account of hundred and one considerations. The property cannot be attached.

You can get a warrant of arrest?—The debtor is living in a certain village and I cannot catch hold of him. Who will go into the village to arrest him? Even if my agent is there still a man is wanted who can spot him (debtor).

1546. It is not really then the Land Alienation Act alone. You have grievance against the attitude of the *zamindar* community as a whole?—Since the time the Land Alienation Act came into existence I can tell you as Director of the Punjab National Bank that many of the *zamindars* have come to us for loans. We have often to give excuses and put them off. If I tell them plainly they will think that it is only a Hindu bank. The Land Alienation Act does not allow land being given in security whatever, and I cannot have that man arrested and put in the lock-up. I am referring to the house property as well as to the land. In a place like Peshawar it would be easier. Supposing I have a place in Charsadda mortgaged to me as a banker, the difficulty is there.

1547. *Prof. Chabiani*: Supposing you had a mortgage bank that advanced money on the mortgage of the agricultural land and on the due date the agriculturist failed to pay it off. In a critical year quite a large number of people make demands. Do you think that there would be people to buy the lease of 20 years for an adequate price in an open market in Peshawar?—No, I do not think so. My difficulty would be practically the same.

1548. What would be the fair rate of interest, supposing you had the right to sell land in an open market considering all the other conditions to be the same?—I think about 8 per cent. or 9 per cent. It is a fair rate.

1549. Do you think the banks would be prepared to advance at 9 per cent. if they had the ultimate right of selling the land?—Certainly.

1550. On the mortgage of house property in Peshawar what is your general rate?—I expect the same rate on mortgage of house property. On personal pronotes the rate of interest is a bit lower.

1551. Do you find the existing mortgage law on house property a fairly easy or a speedy remedy?—I do not follow you.

1552. Ordinarily when a house property is mortgaged you file a suit. There will be a preliminary decree and there will be a final decree. There will be attachment and auction. Considering the Peshawar conditions, do you think the existing mortgage law elaborate or does it need a change?—I think it is a very unnecessarily long procedure. You have got to go through so much botheration.

1553. Do you advance freely on the mortgage of house property?—I would rather go in for pro-notes or short-term loans instead of giving advances on mortgages.

1554. Do you find the existing Insolvency Law satisfactory from the banker's point of view?—No. A man goes to a court of law and puts in an application for insolvency. I get a letter from the court saying that he has put in an application for insolvency and asking me what I have got to say. The money goes away. I do not think we get adequate protection.

1555. Can you make any suggestion for the modification of the Insolvency Law?—There must be some sort of restriction imposed for the protection of the money lent.

1556. Would you kindly favour us with a supplementary note if you think any suggestions\* could be made for an amendment of the Insolvency Act?—Certainly.

1557. You have said that the non-agriculturist will not advance to the agriculturist and that therefore the *zamindar* has to finance him. Further that the big landlord likes to collar the land, as if he has a sort of land hunger. May it not be the case that the borrower is anxious to sell the land to the few people who alone can buy it, because he has not got an open market for the sale of his land? If this is so, it is not so much the greediness of the bigger *zamindar* as the restricted market in which the borrower has to sell his land in case of need that is to blame?—The *zamindar* is anxious to buy it and in the second place the petty *zamindar* would rather like to go to his own community instead of coming to me for money.

1558. Even though he could get a better price?—It is rather difficult to answer, but I think he would prefer going there.

1559. Considering the value of the agricultural land and comparing it with the normal yield, from what has been told us by other witnesses, the percentage of net return seems to be remarkably low. Supposing a man has got a debt of Rs. 5,000 or Rs. 10,000 to get rid of by selling a portion of the land, do you think that the Land Alienation Act is preventing him from selling it at a fair price?—Yes.

1560. You say something about the marketing question in your remarks in answer to question 18 where you mention sugarcane and *gur*. You mention there only sugarcane. Are they applicable to sugarcane only or are they of general application?—It is applicable more to sugarcane.

1561. Supposing an advance is made to a client. Is it made in order to get trading facilities or is the loan general?—It is made for the sake of trading facilities. There are two kinds of loans which a village

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\* Not printed.

moneylender advances to the *zamindar*. One is for trading facilities and the other is made for the sake of private purposes, *e.g.*, marriage and death, etc. I have studied this question and what I find is this. In the case of private purposes generally a certain rate of interest is charged but in the case of advance for trading facilities no interest is charged by the village moneylender. The latter brings the crop of the *zamindar* to the market for sale; he acts as a clerk and keeps the *zamindar's* account; he is an honest individual; and disposes of the crop by sale and realises his money. That is my opinion. In the case of *gur* I can tell you that when the *gur* is sold, the village moneylender charges annas 8 per maund. Out of that he pays one anna to the *mandi* contractor. He also pays one anna for the sake of parties (?) and one anna is paid as a sort of cash discount to the buyer. He therefore makes only a profit of annas 5 per maund. That is in consideration of the money that he has advanced beforehand, also in consideration of selling the crops as well as for keeping accounts and all that. That is what he gets out of the *zamindar*.

1562. What is the value of sugar per maund?—Rs. 8 or 9 per maund.

1563. He realises annas 5 on Rs. 8 or 9?—Yes.

1564. Are the sugarcane growers small or big men?—There are big as well as small *zamindars*.

1565. Is this *bania*, the sugar trader, practically the collecting agency of the small man or the big man?—The bigger man never gives him the produce. It is only the smaller *zamindars* who have taken a loan from the petty moneylender who do so. The moneylender arranges to sell the crops and for the best price possible in the market, because on account of the commission he sees that the crop is sold at the best price available in the market.

1566. Generally, is there any unwillingness on the part of the indigenous banker and the joint-stock banks to advance money on the security of the crop that is stored?—We are quite prepared to advance money on the crops stored in our godowns.

1567. Do you do such transactions?—We are prepared to do that. Personally I am prepared. But most of the people never come to us. They don't come to the banks, they go to the *sahukars* because they believe that their secrets would be kept confidential. The banks have godowns. Their man comes and puts his crop in them. Rent has to be paid and on top of all this the goods are labelled. They believe that their secrets will not be safe with the banks and therefore they go to the *sahukars*.

1568. Therefore the indigenous banker has a distinct advantage over the joint-stock banks in this matter; his relations with his clients are more confidential?—Yes.

1569. In answer to question No. 19 you say "credit is easily extended to the extent of about 80 per cent. against the security of goods offered". Do you mean the credit granted by the joint-stock banks or by the indigenous shroffs?—I mean both.

1570. We are considering the export of produce. Are these the goods which the village moneylender himself owns or are they the produce which he brings to the market on behalf of his clients?—The village moneylender never brings to the market his own goods for sale; he brings them on behalf of the *zamindar*. That is only in consideration of the money that he has already advanced.



1571. *Mr. F. P. Gray*: In answer to question No. 56 you say "A money-lender generally dabbles in a side-line and to my knowledge there is a very small percentage of those who live exclusively on moneylending." In answer to question No. 57 you say that he assists to "a very great extent in financing agriculture, trade and industry?"—In my reply to question No. 56 I refer to the ordinary banker. He does not live exclusively on moneylending. He has got a shop and moneylending is a side line.

1572. *Prof. Chabiani*: Does your answer to question No. 57 refer to city shroffs and joint-stock banks?—Yes.

1573. In answer to question No. 62 you say "The bankers in Peshawar usually pay 5 per cent. on current deposits and so attract big amounts from businessmen when their funds are lying idle". Are you able to attract, as a banker, appreciable deposits from the agriculturists?—No. They never come to the city. They come only for the sake of borrowing.

1574. You cannot say whether they go to the indigenous banker or joint-stock banks?—Joint stock banks have some deposits from the agriculturists.

1575. Are they increasing or not?—I cannot say off-hand. The Punjab National Bank deals mostly with the city men and not with the mofussil agriculturists, because the latter never come to us.

1576. You say the rate of interest varies in different seasons. What rate of interest do you mean? Is it the rate charged by the joint-stock banks or the Indian shroffs?—I am referring to the ordinary shroffs.

1577. Do the *sahukars'* rates vary with the rates of the joint-stock banks or of the Imperial Bank or are they altogether independent?—They cannot be independent. If a recognised bank charges a certain rate of interest others charge the same.

1578. I am talking of the rates of interest charged by you to those who borrow from you. There is a rate charged by the Imperial Bank. Is there a close connection between the three agencies, the Imperial Bank, the indigenous shroffs and the joint-stock banks?—So far as the Imperial Bank is concerned, we have got more or less to ignore it. There remain the joint-stock banks and the ordinary indigenous banker in the city. If a bank is charging 9 per cent. on a loan and if an ordinary banker is charging about 8 per cent. the man would prefer to go to the ordinary indigenous banker rather than to the bank.

1579. I am speaking to you about the town shroff and the joint stock bank. Supposing from 9 per cent. you raise it to 10 per cent., will the Indian shroff feel that he also must raise the rate of interest? If the Indian shroff is borrowing from you, obviously he must raise the rate of interest the moment you raise it?—In the busy season the relationship is such that he is compelled to raise it.

1580. What is the actual relationship in Peshawar between the big shroffs and the joint stock banks. Are they indebted to the joint stock banks to a great extent?—They are indebted to a certain extent. I know some of the bankers in the city of Peshawar who are indebted to certain banks.

1581. Could you possibly give us some information as to the actual *hundi* rates charged by these bankers, and by you in the different months, so that we may compare them with those of the Imperial Bank to see how far the Imperial Bank is in a position to control the rates?—Yes, I shall try. Winter is the busy season. Naturally the rate of interest is higher. In summer it comes down.

*Rai Sahib Meher Chand Khanna.*

1582. You have got a bank in Dera Ismaïl Khan. Does money go there or does it come to you from there for employment during any particular season?—Our dealings are with the head office. If we have any surplus we send it to the head office.

1583. Do you think that the amount of money that you get in the shape of deposits is fully employed in Peshawar or has a substantial portion to be remitted to other business centres?—The money was fully employed before. But now for the last two years or so I do not find it safe to employ it here. Within the last six months some of the indigenous bankers and traders in Peshawar have gone bankrupt. I am not treading on safe ground now.

1584. Is that the condition of other banks also?—I should think so.

1585. Will you kindly give a rough idea as to how much of the money that is available for investment is remitted outside?—I cannot tell off hand.

1586. Would it be possible to give us a note on this point after consulting your accounts?—I cannot disclose this information.

1587. You can give us a general idea?—I will try.

1588. There is one thing more. Ordinarily you lend money on the cash credit system in Peshawar?—I lend money on three bases: mortgage, hypothecation of stock-in-trade and personal pro-notes.

1589. Do you make any difference in the rates of interest for these three purposes?—In the case of personal pro-notes it must be understood clearly that advances are only made in those cases where the firms are respectable and the interest is comparatively lower as against a mortgage, because mortgage is a sort of dead investment, money is locked up.

1590. *Nawab Major Mohammed Akbar Khan*: You give concession to the people for whom you have respect?—Yes. The only respect, that as a banker I would have for anybody, would be for one who is a prompt paymaster. As a banker I would be satisfied if on the average I could get about 6 per cent or 7 per cent.

1591. *Prof. Chablani*: You will be prepared to give loans to a man who can give you very good security at 6 per cent?—I would give from 6 per cent. to  $7\frac{1}{2}$  per cent.

1592. I would like to know your relationship with the Imperial Bank. Did you at any time have occasion to rediscount your bills with the Imperial Bank?—I never go to the Imperial Bank, because the main difficulty is to get another man to endorse your note.

1593. I mean as a bank, not individually, when you have got a large number of bills for collection?—I am afraid I am not prepared to answer the question, but I can tell you one thing, that our relations with the Imperial Bank are not very healthy. There have been difficulties and our manager had to make certain complaints for keeping our cashier waiting. The matter was reported to our head office at Lahore.

1594. Could you possibly give us a confidential note on the difficulties that you have been experiencing?—If the head office agrees I shall give you all possible information.

1595. You can mark it confidential?—But I cannot take the responsibility as a Director without consulting my head office.

1596. Do you have time *hundis*?—Yes, time *hundis* of 60 days or 90 days.

1597. Does the indigenous banker ever rediscount with the joint stock banks here?—Not an appreciable portion.

1598. Do you think that, if there were considerable rediscounting facilities by a bank that does not compete with the indigenous banker or any joint stock banks, there will be more of rediscounting of bills?—Yes.

1599. *Nawab Major Mohammed Akbar Khan*: Now Rai Sahib, you just now said that in this Province owing to the Land Alienation Act your security was not safe. May I ask you, will 20 years' lease be not good for you to advance money to a landowner?—Who will be the cultivator, Nawab Sahib.

1600. I do not know the circumstances in this place. I think you are much better off here, because you have got many people of the soil who will be willing to cultivate. In the Yusufzai country, from where I come, you have to deal with a man from across the border. Here you can get your tenant, most probably from the Administered Area?—You know the difficulties of an ordinary Hindu in the Province. I think it much better if you will leave me alone on this point.

1601. During the examination of Khan Bahadur Abdus Samad Khan by Prof. Chablan, I said our trouble as a big landlord was exactly the same, because we in the Yusufzai are cultivator landlords. You know 'X' owns a very big property. He is exactly like us. Would you agree to buy a property yourself in that village?—If I had sufficient protection I would do it every time.

1602. But to-day everybody has protection. Would you agree to take it up?—I claim the protection of the Chair.

1603. You say that you are not able to execute a decree. That has been my trouble too. I have got a decree for Rs. 2,96,000. The decree was very easily got but the execution.....?—If a big Nawab Sahib like the Nawab of Hoti with all the resources at his disposal could not possibly have his decree executed, you can well imagine the plight of a poor Hindu banker in this part of the country. May I add for the information of the Chairman that Sir Norman Bolton wrote that Mohammed Akbar Khan left his property, went to the war for 5 years and served there in different theatres of war and that special considerations should be shown to him for the recovery of the money. Even with that writing he has not been able to realise the money.

1604. Rai Sahib, you have associations with the Mussalmans, especially with leading men who generally come to attend parties. You said that the *zamindar* first goes to his brethren for mortgaging his property. Do you know that he would do anything short of going to his relations?—I mean by brethren his own community. I never said mortgaging in the first instance. It was about the sale of his land.

1605. Don't you think that the last thing a Pathan will do is to sell his property if he can possibly help it? He would first go to the *sahukar* and ask him. The *sahukar* cannot buy his land.

1606. Who sells the *gur* of the big *zamindar*?—He sells through an *arhti*.

1607. He does not himself indulge in that trade?—Because he thinks it derogatory to do so.

1608. Rai Sahib, during the slack season do you ever advance money at the rate of 6 per cent., 7 per cent. or 8 per cent.?—Are you personal?

1609. Not personal. I say with a fairly good security will you be prepared to advance money on good security in slack season?—Yes, for a short term. I can lend money in May even at 7 per cent. with a promise to get it back in October or November. I would certainly do it.

*Rai Sahib Meher Chand Khanna.*

1610. Will you be prepared, Rai Sahib, always to advance money at the rate of 7 per cent. from May to October?—Yes, if my funds are lying idle. That is a clear clause.

1611. How will the people know that your funds are lying idle. You don't publish any report of your financial status?—It is never.

(Mr. Chairman, I am giving my own impressions.)

1612. Rai Sahib, you don't think a small land-owner or a big land-owner will sell his produce except through a *bania* or an *arhti*? Do you know any land-owner who has sold his products direct and not through an *arhti*?—I have not had much information on this point.

1613. Your information is that generally they are sold through an *arhti* and the *arhti* makes a commission out of it?—I have already given the figures. In the case of grain it is two annas per maund, and out of this he has got to pay three pice and in the case of *gur* he retains 5 pice per maund in consideration of the money advanced and the work done.

1614. But sometimes this *arhti* does not advance but still he gets?—You are mixing up the village money-lender and *arhti* who is a *dharwai* or weighman. The latter weighs your produce and gets commission in kind. If he weighs 100 maunds he gets some share.

1615. Mr. V. F. Gray: With regard to loans against merchandise by the joint stock banks in Peshawar, are they lent at a fixed rate throughout the year or does the rate vary?—We generally advance at the rate of 7 per cent. to 8 per cent.

1616. There is a definite rate in Delhi?—Here it varies, there is no definite rate.

1617. Supposing there were a new bank formed with the definite intention of helping the agriculturists. What link is there between such a bank and the village? Could you use the *bania* as an agent?—My impression is that the *bania* is a good link between the *zamindar* and the bank. He is held in very good esteem. If a petty *zamindar* goes to a *khan*, it is rather difficult to get out of his clutches, but in the case of a village moneylender, he does not want the land but only wants the money back. The village moneylender is held in very good esteem in his village. He is not considered to be a dishonest fellow, a Shylock, as he has been depicted. That is not his position at all. He is considered to be a very fine fellow and a good fellow. He is there to help the *zamindar* not to suck the blood out of him as has been said by some persons.

1618. May I take you to the subject of mortgage in the urban areas? You have described the difficulties of recovering by selling a house owing to the communities living in separate localities. Do you find any difficulty in finding out the real title to ownership of the property offered for mortgage or are the titles to mortgaged properties complicated, making it risky to lend money?—Cases have come to light where it has been found that the property happened to be in the name of the wife or brother and this debarred the banker from getting his principal as well as his interest.

1619. Sufficient to warrant agitation to get the law altered?—Yes.

1620. The point is this. On the one hand you want to give every sort of facility and protection to the *zamindar*. On the other hand there is no protection or facility to the banker to get his money back?—Naturally you ought to give us some protection and facility for getting back the money advanced.

(The witness withdrew.)

# Diwan BUGHA MALL, Public Auditor and Accountant, Peshawar.

## Replies to the questionnaire.

1621. 1. The following is the estimated indebtedness of the agricultural classes in this Province. Some of it is due to failure of crops and visitation of locusts and the rest to marriages, deaths and other social occasions, as these people are illiterate and extravagant in their habits:—

The total indebtedness as estimated = Rs. 46,62,406.

(a) Rs. 18,73,817-0-0.

(b) Not known.

(c) Rs. 20,00,000-0-0, estimated not real.

(d) Government advances under Acts XIX of 1883 and XII of 1884 = Rs. 7,88,589-0-0.

Debt is also due, besides Government, to *zamindars*, indigenous bankers, and Hindu money-lenders.

The means of knowing the exact indebtedness are:—

Registration offices, Income Tax offices, Revenue offices, etc., and local enquiry.

1622. 2. The rate of interest charged is as follows:—

(a) On Government loans  $4\frac{1}{2}$  per cent and  $5\frac{1}{2}$  per cent.

(b) Co-operative societies 12 per cent.

(c) Banks 6 per cent. to 12 per cent.

(d) Indigenous bankers 6 per cent. to 24 per cent.

(e) Professional money-lenders or *zamindars* 6 per cent. to 30 per cent.

These rates of interest vary according to the time of payment, security given and risk involved. In some cases  $\frac{1}{2}$  anna to one anna per rupee per month is charged. The banks charge interest at six months rent, and the others at a year's rent. The payment of debt is enforced through courts.

1623. 3. In my opinion the provision of credit facilities is affected by the Land Alienation Act and the expensive mode of enforcing payment through courts. The court fee should be reduced, and the Land Alienation Act, being a preferential and discriminate legislation, restricting credit facilities should be repealed.

1624. 4. Yes, financial difficulties are responsible for replacement on a large scale, of small agriculturists by bigger *zamindars*; money-lenders cannot buy, or take land on mortgage.

1625. 5. Yes.

1626. 6. Yes, it takes away from the actual cultivators the incentive to produce more or cultivate his land in a more efficient manner. This cannot be checked by any amount of legislation. It can only be counteracted by the provision of cheap credit to the cultivator.

1627. 7. Yes, they extract personal service in lieu of interest on loans from borrowers.

1628. 8. The money-lending communities advance seeds, etc., on condition that it is repaid at harvest time in double, and sometimes less than it; it is payable in kind rather than in cash. When the debt is supplied

*Diwan Bugha Mall.*

at harvest time a very small quantity of grain remains with the cultivators for their domestic wants, which they have to meet again by taking loans of grain.

1629. 9. Yes, courts disallow exorbitant rates of interest and give only reasonable rates where it appears to them that the rate is usurious.

1630. 10. Yes, the enactment of legislation in connection with the publication and regulation of accounts of money-lenders on universal and recognised modern methods of accountancy is necessary. A Money-lenders' Accounts Act should be passed under which periodical statements should be issued, verified and signed by the debtors, thus ensuring the accuracy of the debts due by the debtors to the creditors.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1631. 12. The *zamindar* and cultivator obtain finance for :—

(a) expenses during cultivation, from the money-lenders; the rate of interest varies from 12 per cent. to 24 per cent. according to the nature of security given and the risk involved, and from the bigger *zamindars* from harvest to harvest;

(b) capital for permanent improvements, from the Government at  $4\frac{1}{2}$  per cent. and  $5\frac{1}{2}$  per cent.;

and (c) for other special needs from the Government, the bigger *zamindars* or money-lenders.

The small cultivator or peasant proprietor goes to the bigger *zamindar* or money-lender and obtains loan of seed grains, etc.; while an owner of about 100 acres of land would go to the Government or to the *zamindar*; and a large land-holder will also go to the Government or to the bigger *zamindar* and get his land mortgaged or house property mortgaged or will sell his ornaments in the market or would pledge them with a bigger *zamindar* or village or city money-lender at the rates of interest from 6 per cent. to 24 per cent. according to the nature of the security given. The co-operative banks give them very little relief owing to their small resources, and the Imperial Bank of India and other joint stock banks never deal in such matters. They cannot risk their depositors' and shareholders' money on long-term agricultural loans but the *zamindars*, professional money-lenders, merchants and dealers and companies trading in fertilisers give them credit on terms and conditions affording them sufficient margin for safety of their loans at the rates prevailing in the market, *viz.*, from 12 per cent. to 24 per cent. according to the risks undertaken.

1632. 13. Yes, they take *takavi* under the Agriculturists Loans Act.

1633. 14. There is no co-ordination among the various credit agencies; all the various credit agencies look to their own interests, and hence there is competition amongst them.

1634. 15. The only defect is the scarcity of money. If a big central agricultural bank is started which could afford to lock up its capital for long periods and give loans at reasonable rates of interest, this defect could be easily removed. The bank can take charge of the produce and sell it when it finds a good market for it or in case of default sell the land.

1635. 16. The estimate of the total amount of capital required at present for the various purposes is at least one hundred lakhs for an agricultural bank to start with and my estimate is based on the following

figures of loans contracted by the agriculturists during the year 1927-28—

	Rs.
Loans under mortgage . . . . .	52,70,869
Under Agriculturists Loans Act, 1883, and Land Improvement Loans Act, 1884 . . . . .	7,88,589
	<hr/>
Total . . . . .	60,59,458
Deduct—Mortgage redeemed . . . . .	33,97,052
	<hr/>
Balance . . . . .	26,62,406
	<hr/>

There may be a similar amount due to the big *zamindars*, co-operative banks, money-lenders and native bankers, merchants and other loan agencies, which cannot be definitely known but is a heavy one. The capital is available but is shy. The Land Alienation Act is the great stumbling block in the way of money-lenders and other classes who do not care to invest their capital in risky loans.

#### C.—FINANCE FOR MARKETING.

1636. 17. The following are the marketing centres :—

Peshawar. (2) Mardan. (3) Charsada. (4) Hoti. (5) D. I. Khan. (6) Bannu. (7) Kohat. (8) Kurram. (9) Haripur. (10) Shabqadar.

1637. 18. The produce is brought into the market, where the *artias* or commission agents auction or sell the produce to the whole-sale dealers, and earn their *arhat* or commission and also to the agents of other merchants living in large commercial centres such as Delhi, Amritsar, Cawnpore, Bombay, Madras, Calcutta and Karachi and other places. The money is paid by the *artia* to the producers which he himself collects from the buyers at his market. The agents of the commercial centres consign the goods to their respective principals and draw *hundis* or demand drafts upon them for the purchase price of the goods on their account and risk, which *hundis* or demand drafts they discount with the native bankers or joint stock banks. These banks realise or collect the money of these *hundis* or drafts through their branches or agencies in those centres of trade; or the railway consignment notes are sent through the Post Office for collection under the V. P. P. system. The bankers' and *artias*' charges are 8 annas to one rupee per cent. on the goods sold through them. There is a co-ordination among them all. Their system is the modern system of trade, there is no defect in it and requires no improvement.

1638. 19. The agriculturist stores his produce at his house in the village (a) previous to taking it to the market and, (b) he does not store his produce in that market. There is a system of storing it with the *artias* who usually advance money to the producers if they like to do so on the security of the grain kept with them for sale.

1639. 20. Yes, in my opinion there are possibilities of operating licensed ware-houses in India on the lines of the system which exists in the United States of America. Yes, there is need of government assistance in the matter; this is the best-way. Under this system grain or produce can be stored in the ware-houses where it can be classed and sorted

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according to the qualities and can be requisitioned in case of emergency. Adulteration, which is most injurious, would be prevented. The producers can obtain money more easily on the security of the produce thus stored in licensed ware-houses than when it is stored in his house.

1640. 21. The credit facilities required for the financing of produce during marketing are that the producer should be able to obtain money on the security of his produce or otherwise so that he may not be compelled to sell his produce below the market prices, through want of funds and to wait until the prices are favourable. There are no such facilities for the producer. There is a difference between internal and foreign trade as regards financing facilities. The foreigners open credit with the bankers and their agents can obtain money at any time they require.

1641. 22. The following different kinds of instruments of ownership of goods and produce are employed for raising money during the process of marketing:—

Railway receipts, shipping documents, dock-warrants and warehouse certificates, etc. The difficulties are that a guarantee is required against the goods not being according to sample or deficient or defective.

1642. 23. There are no possibilities of forming pools and of co-operative effort generally in the transporting and marketing of produce. As there are untold numbers of small producers, it is impossible to bring them on to a combine. And the pool combines and syndicates of powerful producers will monopolise the produce.

1643. 24. It is not possible at present to make extensive use of bills in internal trade in rural areas (*e.g.*, by reduction of duty on bills) as the bills are instruments of credit, and require a substantial standing behind, and sufficient cash resources to fall back on.

#### D.—LONG PERIOD LOANS FOR AGRICULTURE.

1644. 25. Yes, *zamindars* are always in need of money for long periods.

1645. 26. To the extent of fifty or sixty lakhs of rupees on the security of land both by landlords and tenants of various kinds.

1646. 27. Yes, the agriculturists freely borrow *takavi* under the Land Improvement Loans Act. There seems to be no defect.

1647. 28. The average sale price of land in the Peshawar and Bannu districts is from Rs. 106 per acre to Rs. 110. Now the price of land has increased. In Hazara the sale price has dropped from Rs. 222 to Rs. 171. The difference is due to the variations in the quality of the land sold. The annual yield of land of average quality is about 45 maunds of wheat which at Rs. 5 per maund, gives an income of Rs. 225. Assuming a yield of Rs. 5 per cent. the price would be Rs. 4,500 for an acre of land. First class irrigated land brings a price of Rs. 200 to Rs. 500 per *kanal* in certain best localities.

1647. 23. (a). Value of land in Government auction for non-payment of revenue is sometimes higher and sometimes lower according to the circumstances at the time of such auction.

(b) Sale of land by court decree sometimes brings good prices and sometimes very low owing to the sale being under forced conditions.

(c) Price of land sold by private negotiation is always higher, and such sale brings a suitable amount to the seller.

1648. 29. Yes, there are legal impediments to mortgage of agricultural holdings in this Province. The Hindu money-lenders cannot hold land



1658. There are no dairy farming, poultry farming, etc. These can be encouraged. The young educated boys in the villages should collect the workers, who are engaged in subsidiary industries and organise them into small factories and in this way improve their condition, as these young educated men belong to rich classes and can find money for such small undertaking.

1659. 39. The labourers in small industries should organise themselves and improve their produce which is always saleable in the cities at good prices.

1660. 40. There are already ample transport facilities provided by the state. The labourer can utilise his spare time in making baskets, mattings, ropes, etc., and he can keep poultry farms, dairy farms, and make implements and tools of agriculturists, etc., but they usually come to labour in the cities and earn their wages which are nearly one rupee a day. If some enterprising educated young men of rich classes come forward and collect such men and form small factories and workshops, etc., they as well as the labourers will gain.

#### F.—RURAL CO-OPERATION.

1661. 41. The co-operative credit societies in this area are now taking birth. They are not fully developed. I think they are at this stage mere money-lending institutions. They cannot do any real banking business unless they have large funds at their command: without sufficient working capital it is difficult to deal in money.

1662. 42. There are no relations between the joint stock banks and other indigenous banks. I don't know if the Imperial Bank of India is helping them in the shape of loans or acting as their banker.

1663. 43. There are no defects in the co-operative credit societies working in this Province.

1664. 44. The existing difficulties in the matter of finance in the case of co-operative banks in regard to short and long term capital is the lack of sufficient working capital. In this Province this movement has not done much to meet the financial needs of the agriculturists.

1665. 45. The capital required for financing the co-operative movement adequately is estimated at about one crore of rupees.

1666. 46. There is no competition between any co-operative banks and branches of the joint stock banks and the Imperial Bank of India in this Province.

1667. 47. If exemption from income-tax is granted to genuine co-operative societies, of course, it will stimulate their growth but there will be a loss of revenue to Government under this head of income. The debentures issued by Provincial co-operative banks if included in the list of trustee securities will prove beneficial to their development.

#### G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

1668. 48. Rates of interest charged by the urban communities vary from 2 per cent. to 12 per cent. according to the circumstances of each case. The banks give them full facilities in deserving cases.

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1669. 49. Yes, there are local industries in this province which are enumerated below:—

*Lungi* weaving,  
*Kullahs*,  
*Topies*,  
*Shoes, Chaplië*,  
*Punkhas*,  
 Mattings,  
 Baskets,  
 Camel and mule leather trunks,  
 Wax cloth,  
 Wooden bowls,  
 Sticks,  
 Agricultural tools and implements,  
 Copper utensils,  
 Tin goods.

Yes, their financial requirements are adequately and satisfactorily met by the existing organisation.

1670. 50. The co-operative movement has not met any financial needs of the small trader and industrialist in this Province as yet. The movement is in its infancy and it cannot be said to what extent it will be able to meet the need of the small traders, etc.

1671. 51. The co-operative movement should be extended to meet the domestic needs of the urban area, *i.e.*, to provide the daily supplies to the consumers. Co-operative credit stores should be started for the benefit of the consumers.

1672. 52. The part played by the different classes of bank and bankers in the financing of foreign trade of India during the following stages is:—

(a) *Export trade*—

(i) *From village to the mandi*.—They afford opportunities of borrowing to the merchants who buy produce from the villagers on payment of cash direct. In some cases the villagers themselves bring their produce to the *mandi* in which case there is no need of bankers.

(ii) *From the mandi to the exporting port*.—The merchants or foreign agents purchase goods from the *mandi*, consign them to their respective destinations and hand over the railway receipts to the bankers with invoices, etc., to collect money against their delivery, which the bankers collect and pay to the merchants after deducting their collecting charges. In some cases merchants and foreign agents draw *hundis* upon their principals for the cost of the goods sent to them and these *hundis* are discounted with the bankers, and in some cases the foreign principals open credit with the bankers and advise them to pay money to the agents against documents, such as railway receipts, bills of lading, invoice and insurance policies, etc.

the amount of their deposits from the income-tax returns showing the interest paid on deposits and loans by these people.

1682. 62. The rates of interest allowed on various kinds of deposits are from 2 per cent. to 6 per cent. and these rates vary in different seasons. The rates of interest charged by one indigenous banker to another (*sahukari* rates) with or without security are 7 and 8 annas per cent. per mensem.

1683. 63. The rates of interest either in money or in kind which the agricultural community has to pay at present to the indigenous banker are from 12 per cent. to 24 per cent. per annum. These rates could be brought down by the provision of cheaper money. This is only possible when the supply of money is greater than the demand. This all depends on money market which only controls the rate of interest. Of course the condition of the agriculturists could be improved by the supply of money at easy rates.

1684. 64. Yes, there is a prejudice against the indigenous bankers. The dealings of this class of bankers with clients are conducted on sound lines, but the payment of interest which accumulates to a large amount, becomes difficult for them. The remedy is that it should be regularly paid when due and should not be left in arrears and at the same time agricultural banks should be started.

1685. 65. The net return on capital is about 8 per cent. per annum. I do not remember any indigenous banker having failed since 1920. The business is on the increase but the business of the village money-lender is on the decrease.

1686. 66. The indigenous bankers and money-lenders are able to meet all demands for accommodation but in some cases they refuse on account of the unacceptable nature of the security offered or the unbusiness-like character of the debtor and in some cases they refuse owing to insufficiency of working capital also.

1687. 67. The following are the existing facilities available to the public including indigenous bankers and money-lenders for internal remittance of money in India:—

- (1) Government currency notes.
- (2) Post Office Money Orders.
- (3) Bank drafts.
- (4) Postage stamps.
- (5) *Hundis*.
- (6) Supply Bills.
- (7) Remittance Transfer Receipt.
- (8) Coins.
- (9) Cheques.

#### *Supply Bills.*

1688. Certain Government treasuries in the Punjab often draw upon each other by means of these bills and the Lahore Treasury sometimes sells supply bills on Calcutta and Bombay. They are only issued for round amounts such as Rs. 500, Rs. 1,000, Rs. 1,200. These supply bills facilitate remittances to a small extent but if the public is made aware of this facility by means of advertisements in the centres of trade, their use can be increased.

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1689. 68. The part played by negotiable instruments in the internal trade of the province is that trade between one rural centre and another and from rural centres to urban centres is carried on without the transmission of notes and silver, in payment for the goods received and thus the risk and expense attending such transmission, which increase the cost of imports and exports ceases. The inconvenience to merchants and traders, and retardation of the progress of commerce are avoided. Reduction of stamp duty on bills will popularise their use.

1690. 69. In my opinion there is a large amount of money in the hands of indigenous bankers and also with joint stock banks which merely collect and remit the money to other centres or their head offices for employment there, and do not advance money to the merchants of this Province freely. In my opinion, every district should have an industrial and agricultural bank where that money can be deposited and from which it can be borrowed again when needed. In this manner the money will remain in the districts and improve the conditions of the peoples of the districts.

1691. 70. The *hundis* are purchased and sold in the bazar during different seasons at different rates varying from 8 annas per cent. per mensem to 12 annas per cent. per mensem. The Imperial Bank of India's *hundi* rate affects these rates. If the Imperial Bank of India charges 7 per cent. then the merchants will charge 8 per cent. or 9 per cent.

1692. 71. Yes, these bankers are sufficiently protected by law when dealing with merchants but not when dealing with agricultural classes. Yes, Land Alienation Act is a stumbling block in their way, this should be repealed or amended to give them protection against losses when dealing with them.

1693. 72. This class of bankers can be more serviceable, if recognised by the Government. They should be recognised on condition that they will give and charge interest at rates fixed by Government and keep accounts on systems recognised by the Government; Government should help them with Government money when needed at cheaper rates of interest on approved security.

1694. 73 There should be an indigenous bankers' institute of which they should become members. In this way they can be organised or consolidated.

1695. 74. The attitude of the indigenous banking community would be hostile at first but by proper persuasion and propaganda they will accept the regulations when they find that they are for their benefit.

1696. 75. Yes, the Imperial Bank of India or a Reserve Bank should try to deal with indigenous bankers of some standing, who are engaged in the purchase or sale of trade bills and discount their bills. In this way the bank will receive a large number of trade bills to discount.

1697. 76. Indigenous bankers should be shown the advantages of keeping their money in joint stock banks and withdrawing their money when needed. The surplus money will thus remain with joint stock banks and these joint stock banks should deposit their surplus amount with a central bank, which should act as a banker's bank. In this manner the indigenous bankers can be linked with the central money market and the provincial capitals.

1698. 77. I would suggest the establishment of a local bank with local directorate in each district with which the indigenous banking system may be connected. Such a bank will gain the confidence of the indigenous bankers, if they are brought in the bank as directors. Their local knowledge and experience can be utilised in this way and competition can be avoided.

1699. 78. The suggestions I have to make in regard to closer connection between the Indian indigenous bankers and shroffs on the one hand and joint stock banks, including the Imperial Bank of India, on the other hand are that the latter should advance their money to the former at cheaper and reasonable terms. The latter in their turn should give loans to the village banker and the city shroffs who again should lend to the agriculturists. In this manner, a link can be established between all of them. And they all can benefit themselves by such co-operation.

1700. 79. About 300 agriculturists and landlords in the Province. Total estimate of savings about 2 crores of rupees.

1701. 80. No.

1702. 81. It is the habit of the Indian to invest in silver and gold in the shape of ornaments. The estimated amount of gold and silver imported into this Province is about Rs. 30 lakhs every year. The tendency to buy gold and silver is increasing. Yes there is hoarded wealth in this province in the shape of ornaments the estimate of which cannot accurately be made.

1703. 82. The people of this province are illiterate and extravagant. Whatever is saved is employed in the purchase of land, or gold or silver which are turned into ornaments. Some money goes to the Post Office, co-operative credit societies, and some is lent to the big indigenous bankers in the city for trade. The influence of co-operative societies and banks, insurance companies and provident societies has increased the habit of saving and putting their money in profitable concerns for earning more income.

1704. 83. The farmers lend to fellow agriculturists on the usual rates of interest which is named income or profit. The surplus money in the prosperous year is invested in gold or silver, or in land.

1705. 84. The abolition of stamp duty on cheques has resulted in the increase of their use by the merchants and the trading community largely and to some extent by the general public. The cheque habit is growing daily owing to its usefulness. The payment to Government servants and bank employees above Rs. 100 can be made by cheques. The use of vernacular scripts in banking will be useful to people not knowing English.

1706. 85. I support the view that the banking and investment habit in India is of a very slow growth. And I attribute it to lack of knowledge and information as to its advantages. The public should be educated. The joint stock banks, with savings bank departments, and the Post Offices, provident funds and insurance companies are in existence for encouraging the saving and investment habits among the people. The public are not provided with full facilities for the investment of their savings. The existing facilities can be improved or extended by opening branches in the smaller interior places and by propaganda.

1707. 86. Yes, the postal cash certificates are popular in this province. The present interest rates should be raised a little and interest should,

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be allowed, if these are cashed within the year of the date of issue. The post office savings banks afford all possible facilities to the public. It is a very useful institution. The educated classes resort to these forms of investment. Yes, other classes can be attracted towards these, by spreading education as to their usefulness and safety as compared with other classes of investment, and of their ready convertibility in time of need.

1708. 87. Yes, savings associations like those under the national savings movement in England will help to popularise the cash certificates. Yes. I have some knowledge of American investment trusts; some of them have miserably failed.

1709. 88. The wealthy Mohammedans can be induced to render such interest available for the economic development of the country as earning interest is not permitted by their religion. This can be preached by their leading priests and *mullahs*.

1710. 89. I have nothing to say regarding the alleged competition of Government with banking institutions and bankers in regard to deposits by their attractive rates on postal cash certificates and Treasury Bills because in my opinion these are quite safe as compared with the deposits in the hands of other classes of bankers, in whose case there always exists a fear of failure.

1711. 90. The existing facilities for purchase and sale of Government securities afforded by the Imperial Bank of India are that the Imperial Bank underwrites the issue of the Government loans and pays them the money at once and sells the Government securities to the buyers on receipt of a part of the price if the buyers are not able to pay the full price at the time of purchase, the remaining amount being paid in instalments. Thus the Imperial Bank of India acts as an intermediary between the Government and the buyers. It will charge 4 annas per cent. on the stock bought through it as brokerage. These facilities are not granted by the other banks. And I am in favour of granting similar facilities to the small agriculturist and the small investors who are willing to take some form of Government securities.

1712. 91. The various financial agencies who deal in other than Government securities would allow the carry over of a transaction, if it is not paid on the settling day to another settling day on payment of "contango" money. And the brokers will charge 1 to 3 annas per cent. as their brokerage.

1713. 92. The Government should educate the people by propaganda in regard to Government loans for productive capital expenditure, etc., by means of advertisements, and lectures and providing lessons in the school and college course.

1714. 93. The opening of new branches by the Imperial Bank of India has provided additional remittance facilities and has also afforded facilities for loan and thus has lowered the rates of interest charged by other bankers.

1715. 94. These are the banking resources in this province:—

Imperial Bank of India, the Punjab National Bank, the Co-operative Bank, Ltd., Grindly and Co., Ltd., the Chartered Bank of India, the Muslim Bank, Ltd., the Frontier Trading Bank, Ltd.

I consider these banking institutions adequate for the country trade. But I like an agricultural or an industrial bank to be started to provide loans to the *zamindars* for long periods which these banks cannot provide. They advance money for short periods only to the mercantile community.

1716. 95. The places suitable for the opening of post office savings banks, co-operative credit banks, mortgage banks and branches of joint stock banks are the following:—

Peshawar (in every mandi).

Mardan.

Charsadda.

Shankergarh

D. I. Khan.

Abbottabad.

Bannu

Kohat.

Haripur.

Manshra.

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#### Oral Evidence.

1717. *Chairman*: How long have you been working as an Accountant here?—I have been working for about 10 years as Auditor here and over 20 years in the Punjab. It is altogether 23 years.

1718. You have given us an estimate of the indebtedness of this Province. How have you drawn up that estimate?—My estimate is based on Government reports as well as on inquiries made.

1719. Where did you make personal inquiries?—From the local zamindars and from my friends.

1720. You think it is a fairly accurate estimate?—Yes.

1721. *Prof. Chablani*: You have given us an estimate which appears to me rather extraordinarily low because you put the total indebtedness at only 46 lakhs for the whole Province?—As far as I gathered, I found that there was a mortgage of about 52 lakhs, or say 53 lakhs; out of that about 33 lakhs have been paid back.

1722. When?—During the year the mortgages have been redeemed.

1723. During one year?—During the year for which I gave the figures, those mortgages have been discharged.

1724. In which year you mean, 1927 or 1928?—1927.

1725. I have got here the settlement reports of the Tehsils of Peshawar. For four Tehsils out of five (Peshawar, Charsadda, Mardan and Swabi) the total mortgage debt amounts to more than 166 lakhs, and these figures are for 1927-28?—I saw from the reports that it was about 52 lakhs on mortgages (Administration Report of 1927).

1726. That report only mentions the new area under mortgage during one year?—I have taken that.

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1727. The settlement report of 1927 gives us the total existing mortgage of the Tehsils under settlement. So obviously that does not seem to be correct. Well, how do you arrive at this 20 lakhs for (c) of Question No. 1 (para. 1621) as "estimated not real". Can you explain what you mean?—This is the amount of the registered mortgages.

1728. Will you kindly open the first page of your memorandum? You have stated in (c) "20 lakhs, estimated not real". Will you kindly explain the phrase "estimated not real"?—It is an imaginary figure arrived at by inquiries from people for which there are no statistics.

1729. In answer to Question No. 2 (c) you have stated that "professional money-lenders or *zamindars* charge from 6 per cent. to 30 per cent". How did you calculate it?—I enquired from some people who borrow money and who lend money.

1730. You have made inquiries from the people of the province? I would like to know how many persons did you enquire from?—That is imaginary.

1731. Please turn over to your reply to Question No. 10, in which you talk of the money-lenders' keeping regular accounts. Do you think that the village money-lender is a small man or a big man?—There are small as well as big men.

1732. Your remarks apply to the smaller as well as to the bigger men?—Yes, because they understand accounts, therefore they should keep them in a regular way, so that they may be able to show to their customers their respective accounts and there may be no confusion.

1733. You recommend modern methods of accountancy?—As much as possible: by giving them certain standard forms.

1734. You think that they are sufficiently intelligent to maintain them?—Yes.

1735. Who will pay for the man who will do such sort of work? Some of them are very poor people?—Everybody keeps his own account in vernacular (Hindi). He just gets bonds or receipts, or obtains signatures of the debtor in his account book. He knows the regular system.

1736. Do they all keep a regular account?—Well, they have got one joint goods account. So all sundries are taken to one joint merchandise account. All the sales and all the purchases are debited and credited to one account and at the end of the year they take stock.

1737. Have you ever had any occasion to look at the account books of small money-lenders?—Yes, in the Income-Tax Department I have examined.

1738. Surely the small money-lender would not have come to you in the Income-Tax Department?—I have audited their accounts there and I know their actual figures.

1739. But these people are exempt whose income is not more than Rs. 2,000.—In order to prove that certain people have not got money up to that limit, we have examined their accounts to satisfy ourselves.

1740. You mean to say that everybody is called up by the Income-Tax Department?—Yes.



1741. How will you define a money-lender?—Here there is no money-lender. There are only persons who are money dealers, who deal in money, and not money-lenders. Here those people who are small shop-keepers in villages, also advance money to the needy people in times of distress.

1742. What will be the legal definition of a money-lender who will be required to keep accounts?—There is no money-lender; they are money dealers.

1743. Let us substitute money dealer. How will you define him?—Money dealer is the person who deals in money. There are no money-lenders in the city and those shop-keepers in the villages are not money-lenders. They are small shop-keepers or big shop-keepers and lend money should a person come to them.

1744. You would not apply this definition for instance to a man who occasionally lends money?—No.

1745. *Chairman*: Please distinguish between money-lender and money-dealer?—People who deal in money, who are bankers and those who advance money to needy persons are money dealers. There is no such separate class as money-lenders.

1746. *Mr. F. F. Gray*: Where are these gentlemen who are called money dealers?—In Peshawar.

1747. You never call them money-lenders?—We call them money dealers.

1748. *Prof. Challani*: In the reply to question No. 24 you say that it is not possible at present to make extensive use of bills in internal trade in rural areas. I am not able to understand why you hold this opinion?—In rural areas it is difficult, because they (villagers) will not accept the bills, because bills are not legal tender and because the people have no confidence in bills.

1749. But the relations which exist between the buyer and the seller are certainly based on a certain amount of confidence?—That is upon security. If there is sufficient security, then of course the bill will be received. If he has got no credit in the market, nobody will accept his bill. There must be a substantial security to fall back upon. If there is nothing, the bill will not be accepted.

1750. In the mofussil there is nothing substantial behind the bills?—Certainly.

1751. Do not the money lenders in the bigger towns and cities accept or draw *hundis*?—There is no *hundi* transaction between the villager and the town man.

1752. Take a mofussil centre like Charsadda or Mardan and Peshawar; are there no *hundis* drawn between Peshawar and Mardan?—Only between big men.

1753. Cannot a small man draw *hundi* and get it accepted by a bigger man?—There is no such system.

1754. In answer to question No. 30 you say "there are special difficulties in the way of raising money on debenture bonds". Will you kindly explain what those difficulties are?—Debentures are a kind of loan floated by a joint stock bank or a corporation, and loans are granted on the security of those bonds; and those bonds, must be known to be so substantial that the banker or corporation can redeem them, otherwise the debenture money will not be paid.

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1755. We are contemplating something like a mortgage bank which has got the security of mortgages of agricultural land. Can money be raised on such a security?—Yes, they can raise; joint stock banks can raise.

1756. On what security?—Joint stock bank will give security of all its assets floating as well as fixed.

1757. You say that the period of the loan should be one year?—Yes.

1758. What we want is that the bank should lend for 10 or 12 years?—The bankers cannot lock up their capital permanently.

1759. I want you to realise that the mortgage bank is intended for the purpose of long term loans. Therefore the whole object is frustrated if the period of loan is one year. Let me ask you one question. Are you familiar with the practice of a rural mortgage bank?—Yes; there are such banks in Germany and Austria.

1759 (a). In Germany or Austria, you do not imply that the mortgage bank gives loans only for one year?—They give for longer periods, but you see they are guaranteed by the State in certain cases, and they give on the security of the land.

1760. What you are contemplating then is something quite different?—Here the usual practice is that they give for one year.

1761. You yourself contemplate that the new mortgage banks should advance loans for one year, and then you have stated "the agricultural mortgage banks should raise money.....with or without Government guarantee on various terms from 2 per cent. to 6 per cent. on deposits and current account". Do you mean to tell me that deposits will also be for one year necessarily?—No.

1762. If the deposit is for a short period, then how can a bank lend money for a longer period?—The system is that the people deposit money with the bank when they get interest. So with a view to drag money the banks allow 2 per cent interest to the depositors of the current account.

1763. Do you realise the difficulty that when a banker gets deposits for a short period of time, he obviously cannot lend these deposits for a longer period?—That is because the money of the depositors must be paid to them, because people want to take their money in time of need.

1764. Will you please turn over to your answer to question 35. You say there: "the Government should take power to sell any land mortgaged with it". Does it mean that the Land Alienation Act should be abolished?—Yes.

1765. But do you realise that what is necessary for safeguarding Government money is equally necessary to safeguard depositors' money?—That is what I say, that if the debtor is not willing to give back the loan, the Government must have power to sell the land and realise the money.

1766. Please refer to your answer to question No. 48. You say that "the rates of interest charged in the urban communities vary from 2 per cent. to 12 per cent. according to the circumstances of each case". Do you think any borrower is able to borrow at 2 per cent.?—Yes, bankers borrow and other people also borrow at this rate, and sometimes they borrow free.

1767. That must be as an act of friendship; we are dealing with business?—In business unless the lender knows the borrower fully he will

never advance money. As regards the rate of interest that depends upon the supply and demand. If the money is surplus and lying idle and the borrower is financially sound, it can be given at 2 per cent.

1768. In answer to question No. 53 you say that "the grower of produce in India does not get the full value for his produce on account of the speculative buying and selling activities of firms and companies who deal in the export trade". Do you find the same thing here; big export firms raising the prices of goods artificially?—Yes.

1769. Which are the big export firms who indulge in these tactics?—I cannot name them, but I know.

1770. That they artificially raise the prices?—Yes; certain big merchants in the market combine and consult one another and they will never bid when the goods are being auctioned in the market.

1771. In reply to question No. 55 say that "the Hindu money-lenders and bankers as well as wealthy Muhammadans practise indigenous banking in this Province". Are there any important Muhammadan bankers in the city?—Yes, there is a Muhammadan banker.

1772. Do you think that the prejudice against taking interest does not exist in the Muhammadan banking community?—In Muhammadan Law it is stated that they must not accept interest, but instead of naming it interest they name it "profit" and charge interest.

1773. In reply to question 59 you say that "*hundis* are written in *lunda* or *mahujani* and are of four kinds, *Shahjog*, *Darshani*, *Mudatti* and *Namjog*". Is the *Shahjog hundi* used here in any way different either in the general style or in the form from *Shahjog hundi* used elsewhere?—*Shahjog hundis* are the same. There is no difference in them.

1774. Are they the same as elsewhere in India or is there any peculiar practice here?—They are the same.

1775. In reply to question No. 61 you say: "The means by which the indigenous bankers provide themselves with funds to meet the demands on them for funds are public deposits as well as their own private capital money". Taking the market as a whole what percentage do you think of the working capital of these shroffs comes as deposits from the public?—I think nearly 50 per cent.

1776. What do you think must be the total working capital of the Peshawar bankers and shroffs?—Some have got lakhs of rupees; but I do not know all people. Some people are known as poor people, but they are owners of lakhs of rupees and they are sitting inside their homes.

1777. Those who are sitting in the bazaar, do they accept deposits?—In some cases they accept deposits with promise to pay interest and in others as trust money, but I can't disclose their names.

1778. I thought you would be able to give some information on the point?—I am not going to disclose their secrets.

1779. You say in answer to question No. 69 that indigenous bankers and joint stock banks have got branches to collect the money here and then they transport money to their headquarters and that they never lend money freely to the merchants of this Province. What percent you think they generally remit outside?—They remit above 90 per cent.

1780. What about the shroffs?—Shroffs' money is utilised here.

1781. Even if they have got branches at Calcutta or Karachi?—Only in case they transfer money by means of Telegraphic Transfers.

*Diwan Bugha Mall.*

1782. So, then, from the point of view of local needs an indigenous shroff advances to trade to a greater extent than a joint stock bank?—Certainly.

1783. In reply to question No. 72 you say that “they should be recognised on terms that they will give and charge interest at reasonably Government fixed rates and keep accounts on systems recognised by the Government”. Surely you realise as a business man that the Government cannot anticipate for ever what market conditions are going to be?—They can anticipate the conditions, because in the big money markets these people, just like the Imperial Bank, feel the demand and when they feel the demand they know the exact things and then according to that demand for loan apply for capital, and if there is any difference in rates, they fix the rates and these rates are nearly followed by others with slight difference.

1784. Why do you insist on fixed rates being charged by these shroffs when the business conditions are changing from month to month?—By fixed rate I mean the rate of the market at that time.

1785. Obviously they are doing so; they are going by the market conditions?—In certain cases they never follow; they have their own rates.

1786. Surely they are not varying their rates independently of the market conditions?—If Government is going to recognise certain firms and they want to help these people, Government can advance money to these bankers and they in their turn can give money to the small people upon their own guarantee at fixed rates.

1787. Obviously between a small man who is dishonest and has got no property and another man who is honest and has property somewhere, surely every bank or business man will make a difference in the rate?—Yes, certainly. But as regards the bankers, Government can recognise certain shops of good standing who must be guided by the money market.

1788. And you give them the privilege of getting Government money free?—I do not want that Government should give them any money, because if Government gives them money, it means that Government will compete with trade and there will be a general prejudice against Government.

1789. Then you are not in favour of it?—No, I am not. If the Government gives money direct to agriculturists, these people are ignorant and will not be willing to pay back the money.

1790. In answer to question No. 79 you say that “there are about 300 such agriculturists and landlords in the Province; total estimate of savings being about 2 crores of rupees”. How do you arrive at this estimate?—By inquiries. I know of a big man who has got some 18 lakhs of rupees with a certain Hindu money-lender who advances that money on interest.

1791. How long did you take in making enquiries of this sort?—I am always making inquiries in the city. I know people in the city; being a local man I get information from local sources.

1792. Local knowledge relates to Peshawar only?—To the whole Province.

1793. How did you estimate that the amount of gold and silver imported into this Province is worth about 30 lakhs every year?—The big people in the city who deal in gold and silver sell at least ten thousand worth of gold and silver daily in the whole Province and by that calculation I have arrived at the figure of 30 lakhs.

1794. Does any amount of gold or silver go out of the Frontier Province?—Yes, certainly.

1795. How much you think?—I cannot say exactly, but it goes, because people from across the border never accept notes, but accept gold and silver.

1796. In reply to question No. 83 you say that "the farmers lend to fellow agriculturists on the usual rates of interest". Is there any difference between the rates charged by the agriculturist money-lender and the *bania*. Are the rates higher or lower or same as those of the Hindu money-lender?—The agriculturists' rates are higher if they have got any surplus money and if there is any land to be sold, because on account of the Land Alienation Act there is no competitor to buy that land: so the man in need is compelled by circumstances to sell that land, because the big zamindar will tell him "I have got a right of pre-emption".

1797. I only want to know the rate of interest?—They charge a higher rate of interest.

1798. But they do not call it interest?—They call it income, because in *Shariat* it is *haram* to accept interest; so they give it the name of income.

1799. *Nawab Major Mohd. Akbar Khan*: What are the three kinds of *hundis*?—*Shahjog*, *Namjog* and *Mudatti* are the three kinds of *hundis*. *Shahjog hundi* is that which is made in favour of a respectable person, a banker, so that the money may not go to any other person because he is responsible for the money, whatever he receives on account of that *hundi*.

1800. What is the other kind of *hundi*?—*Namjog* means the person in whose name the *hundi* is drawn and is payable only to that person and not to any body else.

1801. I have not read your memorandum. However, now you say that the *zamindar* money-lender advances money at a higher rate. How can you prove that? Have you got any concrete proof? How can you substantiate your statement that a *zamindar* gets more interest than a *sahukar*?—Yes, I can substantiate it in a court of law; because if I give the name of a certain person, he will say that I have exposed his position.

1802. For the benefit of this committee can you mention a few names?—I am not going to give names.

1803. Then it is a very wide remark?—You may take it as you please.

1804. *Chairman*: *Nawab Sahib*, you ask for names and he says that he is not going to disclose the names, so you may take it that he cannot prove his statement?

1805. *Witness*: If certain things come to my knowledge in my professional duties, those I am not going to reveal under any circumstances as I am bound professionally and legally to maintain secrecy.

1806. *Chairman*: If you are not in a position to reveal the names, you should not do so.

1807. *Witness*: Very well, Sir.

1808. *Nawab Major Mohd. Akbar Khan*: Can you state if you have seen in any part of the Province any *zamindar* advancing money at a higher rate than that of a *bania*?—Yes; in the whole of the Province.

1809. Where?—In Peshawar.

1810. Can you quote any instances?—I have told you that I am not going to disclose the secrets.

*Diwan Bugha Mall.*

1811. What is your contention? What is the yield to a big land owner from his land?—So far as I am able to ascertain, I can say that the total area sown amounted to 273, 527 acres . . . .

1812. I don't want the total area sown, but I want you to answer my question. What will be in your opinion the produce on one acre of land and, considering the produce, what will be the percentage on the principal?—Here the estimated yield of wheat is 160,440 tons or about 363 pounds per acre, *i.e.*, about 45 maunds per acre.

1813. May I say, that my own property is very valuable. Will you take it at that rate or for half that rate?—I am not a dealer in lands, but these are the figures taken from statistics.

1814. You are giving us information of which I, though holding a large landed estate, had no knowledge and you seem to know more about the yield of the land. Well, I say, what is the yield of a good plot of land here in Peshawar, or Charsadda or in your own district. Give me the yield per acre?—These products of lands are according to the fertility of the soil, but on an average they give about 45 maunds per acre.

1815. Well, I should say it is ridiculous. It has been admitted by several *zamindars* here whom we have examined that the yield is not more than 4 per cent. of the actual valuation of the land. How can you say that the yield is more than 4 per cent.?—*Zamindars* are ignorant people. They are not taking out percentages. They cannot keep accounts.

1816. Do you mean to say that Mohd. Aurangzeb Khan Vakil is an ignorant man?—He knows only about law.

1817. And you think that you know more about crops than Aurangzeb Khan?—He may be a land-owner. Perhaps he is disguising the facts. These figures were taken from the Government records that average yield per acre of wheat is 363 pounds.

1818. Do you mean to say that the Revenue Assistants don't know and you know more?—Experiences of people differ, and whatever I gathered I told you. You may accept it or not. The yield is according to the fertility of the soil, and if the land is moist it sometimes supplies five harvests.

1819. Where does it give five harvests?—Here in Peshawar I can show you such land. You can go to Panj Tirath and you will find that within two or three months one harvest is ready. When the cabbage goes, we then find another harvest, and after that you will find that the same land is sown with maize or wheat. So in rotation there are three or four crops; first potatoes, then cabbage and then maize.

1820. Have you ever worked how much manure they put in that land?—People supply them free manure.

1821. So your experience is of the land round about Peshawar and you are judging the land of rural areas by the surroundings of Peshawar; that is the basis of your calculations?—They are not importing phosphates or nitrates but these people have got dung.

1822. Do you think that all land in the North-West Frontier Province, or rather a considerable portion of it, yields three or four crops?—Certainly; it is fertile and it has never seen famine, and the land never fails to yield crop; it is a very fertile country.

1823. It shows your ignorance of the lands.

1824. *Chairman*: It is not ignorance, but I must congratulate you upon your self-confidence.

1825. *Nawab Major Mohd. Akbar Khan*: Do you think a big *zamindar* has got surplus money to invest in the co-operative movement?—Yes, he is saving more, because the value of the land has gone up and the value of money has gone down and the produce is becoming costly and he is getting rich day by day.

1826. *Mr. V. F. Gray*: You say that for *takavi* money is taken freely and there is no difficulty?—It is easy to get and easy to return.

1827. You suggest the creation of a mortgage bank and that its management should be in certain hands composed of local directorate. Do you think you will get people to take up ten thousand shares easily? You suggest that the directors of these banks should have ten thousand shares each?—Certainly, Sir, there are big money-lenders like Khan Sahib; they will be willing to take up the shares.

1828. Do you think the share capital will be taken up, if not by the bank, then by a joint stock bank, but that in no case it must be the Government?—My contention is that the Government must not risk their money in this way, because if Government will risk their money, they will not be able to realise it, and at the same time if Government adopts this philanthropic motive, there will be prejudice in the minds of all public, who will say that Government is going to compete with them.

1829. Do you think the public will take up the shares of a mortgage bank?—Yes, if a share is worth Rs. 10; the lower the value of the share, the easier it would be to collect money, because many will be able to buy the shares.

1830. I do not see where the mortgage banks are going to get security for the loans. Will it be a safe form of banking?—They must advance money upon the security of the land duly mortgaged to them.

1831. You mean the produce of the land?—Not the produce, but upon the security of the land itself.

1832. If the money is not recovered?—If the money is not forthcoming, the land should be auctioned.

1833. But the Land Alienation Act will stand in the way?—If the Land Alienation Act stands, then you see these banks would not be able to work.

1834. Would you have a branch of this bank in each District, or an agent of these banks, at the headquarters of a district?—We must have a branch of these banks in each of the districts of Peshawar, Kohat, Bannu, Hazara and D. I. Khan, and small branches in those *mandis* where produce is brought.

1835. Would it not be very expensive?—Not the least.

1836. Will the small banks have sufficient knowledge of the district to see whom they should lend to and whom they should not?—Bank managers are experienced people.

1837. Where would you get these experienced bank managers from?—From the existing banks and those people working as apprentices in other banks.

1838. How long would it take to educate sufficient experienced men?—Several people are available in the banks and if you give them some inducement, we can get as many people as you please.

(The witness withdrew.)

Mian FAZAL AHAD, Secretary, Anjuman Musalmin Rifai-i-am.  
Charsadda, (Translated from Urdu).

#### AGRICULTURAL INDEBTEDNESS.

1839. 1. The indebtedness of the agriculturists of the Charsadda Sub-Division amounts to about Rs. 10 lakhs. This debt has been incurred on the security of (a) land and (b) ornaments. The correct figures can be ascertained by an examination of the registers of the Registration Office and the account books of the *sahukars*. The debts were incurred for the following purposes:—

- (a) to pay off earlier debts;
- (b) to meet marriage and other expenses;
- (c) to pay land revenue;
- (d) non-payment of interest and compound interest;
- (e) to meet litigation charges; and
- (f) for the education of children.

The proprietors owning more than 100 acres are more in debt than those owning less.

The only way of stopping borrowing for unproductive purposes is to prohibit lending for unnecessary expenses.

Hindu money-lender heads the list of money-lenders; next comes the *zamindar* and last the Government.

1840. 2. Having regard to the list of money-lenders given above, the rates of interest are respectively as under:—

- (1) 3 per cent. (2) 2 per cent. (3) 1½ per cent.

The amount of interest can be increased by offering easy terms. The debts are recovered from the sale proceeds of the produce. However the lazy creditor often loses the opportunity and generally the debts remain outstanding.

1841. 3. The present law and procedure in force in the Judicial Courts make the recovery of debts difficult and the only possible solution is to demand and recover the debt at the time of harvest.

1842. 4. Yes.

1843. 5. Yes.

1844. 6. Yes, the real cultivator should not be ousted from the land.

1845. 9. No use is made or benefit derived. The Judicial Courts should be asked to make free use of it, and the exorbitant rate of interest mentioned in the agreement should not be allowed.

1846. 10. Generally the money-lenders do not keep regular accounts and consequently the agriculturist is held liable for unreasonable items; e.g., interest for the first one or two years is entered (in the bond) as forming part of principal. There should be a law making the maintenance of account books compulsory.

1847. 11. None.

#### FINANCE FOR AGRICULTURAL PRODUCTION.

1848. 12. Finance is available for expenses during cultivation and for payment of land revenue on payment of commission at the rate of annas 3 to annas 8 per maund of the produce. The small and big agriculturists are on the same level in this respect. The rate of interest has been given in answer to question No. 2. Generally debts



are contracted up to the end of the harvest season. The present rate of interest is very high. Agricultural operations are being aided financially by the money-lenders by means of interest bearing loans, by the *zamindars* by means of mortgages and by the Government in the shape of *takavi* loans.

1849. 13. The agriculturists do not generally take *takavi* because in order to obtain it, it is necessary to produce a *fard* (descriptive statement of land) from the *patwari*, to mortgage land as security, to meet the charges levied by the *takavi* officials and to have influence with the officers concerned. An ordinary agriculturist is unable to meet these contingencies. Removal of these difficulties and provision of further facilities to the *zamindar* is required in order to enable him to obtain *takavi* loans.

1850. 14. Generally there is co-ordination among the various creditors in respect of the recovery of principal and interest.

1851. 15. The money-lender does not advance loan to the agriculturist promptly in time of need and wastes a good deal of time. The produce is therefore reduced. This defect can be remedied by the provision of facilities for the quick grant of loans.

1852. 16. The Charsadda Sub-Division including all the villages requires at least 4 lakhs of rupees annually for various purposes.

#### FINANCE FOR MARKETING.

1853. 17. Large markets for the sale of agricultural produce are in existence at Charsadda, Utmanzai, Umarzai, Tangi and Gardai.

1854. 18. The agriculturist himself brings the produce for sale to the market of the place where he has debts and the produce is sold there by auction. The produce which is not brought by the agriculturist to the market is generally not sold out. If there are not sufficient purchasers, or if the commission agent does not sell the goods on credit, or is unable to arrange properly for the transport of the goods and obtain railway receipt, etc., on their behalf, the goods of the agriculturist are sold or auctioned at a loss of 25 per cent. The market owner charges commission at the rate of annas 8 per maund to the persons mentioned in clauses (a) and (b) of question 12 and the other expenses incurred are on labour, weighing, etc., which are borne by the agriculturist.

1854 (a) 19. The agriculturist stores the produce (a) in his own house and (b) in the market, but he can get a loan only on payment of interest (and not on the security of the produce).

#### LONG PERIOD LOANS FOR AGRICULTURE.

1855. 25. There is no demand for long term credit.

1856. 27. The reply is the same as recorded in answer to question No. 13.

1857. 28. The average value of land per acre in the case of *nahri* 1st and 2nd class is Rs. 1,000; *chahi* Rs. 2,000 and *shah nahri*, Rs. 400. The lands watered by floods and rain fetch Rs. 200 per acre. In the event of auction and sale of land by court decree its price is reduced by one-fourth.

1858. 29. After the enactment of the Land Alienation Act the number of people taking land on mortgage has been reduced, and consequently it has become difficult to obtain loan even for short periods, not to say of long periods.

Mian Fazal Ahad.

1859. 32. Banks are an absolute necessity, and if the public fail to take any interest in this direction, the Government should undertake this obligation.

1860. 35. In the absence of any bank in this part of the country I am unable to express any opinion on the subject.

#### RURAL CO-OPERATION.

1861. 41. There is no co-operative credit society in Charsadda Sub-Division, and one should be started.

#### INDIGENOUS BANKER AND MONEY-LENDER.

1862. 61. The *sahukar* advances loan to the agriculturist on the security of ornaments and a promise to pay commission, but generally at the time of the execution of the bond or agreement, an additional sum on account of interest is added to the principal which is extremely detrimental to the interests of the agriculturists.

1863. 63. The agriculturists pay interest to the money-lenders at as high a rate as 3 per cent. per month. The reduction of this rate would conduce to the betterment of the agriculturists, and this object can be gained by opening banks, when the money-lenders will reduce their rates of interest which they charge to the agriculturists.

#### INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

1864. 79. There is no such agriculturist in this part of the country as can save anything after meeting his annual expenses.

1865. 83. Certainly some farmers lend money to fellow agriculturists, but without any interest, and if they advance loan in the shape of produce, they take it back in kind and without profits. If any farmer happens to save anything from a good harvest, he generally spends it on unnecessary litigation and sometimes on improvements.

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#### Oral Evidence.

1866. The witness was examined in *Urdu*. He explained with reference to his reply to question No. 2 that Government did not charge interest at Rs. 1-8-0 per cent. per mensem but that the rates given therein were the rates charged by Hindu money-lenders. Questioned by Nawab Major Mohammad Akbar Khan witness stated that the percentage of produce to the value of land was about 4 per cent. or 5 per cent. He further explained in reply to Lala Bal Kishen that this was the average yield. Questioned by Lala Bal Kishen as to the relations of witness with the *zaminjars* he (witness) stated that he himself was a *zamindar* and that their relations were good.

(The witness then withdrew).

of the country, where irrigation is impossible. By adopting the following methods, in the opinion of the witnesses, borrowing for productive purposes by these classes can be encouraged:—

(a) Provision of educational institutions. The period for the primary classes should also be extended.

(b) The principles of co-operative movement should be taught to the children in the schools.

(c) Co-operation should be introduced in the province very soon.

(d) It should form part of a government department. Officers of revenue and other departments should carry on propaganda for the co-operative movement in the villages.

The creditors are invariably the *bantias*; no other institution advances loan. Only *takavi*, form a very small proportion.

1850. (a) 2. The rates of interest are very high. The usual method of calculation is one maund of *bajra* in *kharif* and one maund of wheat in *rabi* for each twenty rupees. Otherwise usually the rate of interest is one anna per rupee. But the traders in the town half an anna per rupee. But the traders in the town borrow from 12 annas per cent. to Rs. 2 per cent., sometimes secured by some property and sometimes without security. The interest is usually determined after every three months or after every six months.

But before the introduction of the Land Alienation Act, when the money-lender saw that the debtor had sufficient property he allowed his interest to increase. When bonds were renewed the debt was shown as a fresh cash advance. And when it amounted to a considerable figure, in the first instance the landed property was taken under mortgage, and after some time it was bought.

1851. 3. The present legislation and the legal procedure as carried out in this province all help the money-lender. The witnesses make the following suggestions to save the ignorant but useful agriculturist from the clutches of his shrewd creditor.

(a) The rate of interest should be fixed by legislation and it should be made obligatory upon the courts not to allow anything beyond that limit.

(b) The loan which is secured on property, should be allowed by the courts to be paid in instalments.

(c) The present law about undue influence should be amended so as to bring money-lenders exacting a very high rate of interest from the needy agriculturists, within its perview.

(d) The Usurious Loans Act should be given full effect to, and means should be adopted to save the debtor from the tricks of the money-lender such as showing the old debt as a new cash advance and having the new bonds executed in the name of their friends.

(e) *Sahukara* Bill as moved in the Punjab Legislative Council by Mir Maqbul Mahbub should be promulgated here.

(f) Co-operative societies should be opened through the length and breadth of the Province. Irrigation projects should be taken in hand.

1852. 4. Yes, the financial difficulties are responsible for the replacement on a large scale of small agriculturists by bigger *zamindars* and money-lenders in our district. A very large area has passed into the hands of the money-lenders.

1853. 5. Yes a large number of efficient farmers are turned into tenants-at-will and in many cases have left their villages and are working

as labourers abroad. The particular feature of this district is that instead of fallow land coming under cultivation, arable land is turned into fallow land in many instances.

1854. 6. Really the process is taking away the incentive from the actual cultivators, to produce more or cultivate his land in a more efficient or better manner. The witnesses make the following suggestions for counteracting it.

(a) The amount of *takari* loan for the district should be increased.

(b) Instead of advancing *takari* loan in cash, the best quality of seeds should be provided to the agriculturists.

(c) Agricultural exhibitions should be held regularly.

(d) Agricultural farms for the demonstration of improved implements and methods should be opened by the Government.

1855. 7. Though it is not customary to extract personal labour from the borrowers, yet it is not unknown.

1856. 8. No such institution like transborder money-lenders, etc., exist in this district.

1857. 9. The Usurious Loans Act is given very little effect to in this district. The way to make it effective is to make it compulsory upon the Courts to apply it.

1858. 10. Sahukara Bill as introduced in the Punjab Legislative Council is badly needed in connection with the regulation and publication of accounts of moneylenders.

1859. 11. Arbitration Boards or village *punchayats* are unknown in this district. There is no such agency which may be resorted to for the settlement of accounts between the moneylenders and the borrowers. It can do much good if any such agency is established by the Government.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1860. 12. The *bania* is reported to for (1) the expenses during cultivation (2) capital and permanent improvements, and for (3) other special needs, failure of monsoon, land revenue, etc. There is no distinction of class among agriculturists and no other agency but the *bania* advances money in the villages.

1861. 13. In each case the agriculturist does his best to acquire *takari* loan but on account of the very little amount of *takari* obtainable and on account of the particular sort of treatment by the authorities, he cannot avail himself of this loan. There is no defect in the law of *takari* itself. But there are difficulties for the agriculturist in getting it. Some provision is needed for its smooth working. The amount should also be increased indeed.

1862. 14. There are no credit agencies except the *bania*. Hence no question of co-ordination.

1863. 15. The agricultural produce is only financed by the *takari* system. The defects have been shown under the reply to question 13.

1864. 16. The total amount of capital required at present for the various purposes mentioned in question No. 12, for the Kohat district is 20 lakhs. It is estimated on personal knowledge of general affairs of the district. However this is not an accurate estimate of the capital required for the purposes. The capital at present available is not adequate for the purpose.

*Sheik Ghulam Rasul and others.*

of the country, where irrigation is impossible. By adopting the following methods, in the opinion of the witnesses, borrowing for productive purposes by these classes can be encouraged:—

(a) Provision of educational institutions. The period for the primary classes should also be extended.

(b) The principles of co-operative movement should be taught to the children in the schools.

(c) Co-operation should be introduced in the province very soon.

(d) It should form part of a government department. Officers of revenue and other departments should carry on propaganda for the co-operative movement in the villages.

The creditors are invariably the *bantias*; no other institution advances loan. Only *takavi*, form a very small proportion.

1850. (a) 2. The rates of interest are very high. The usual method of calculation is one maund of *bajra* in *kharif* and one maund of wheat in *rabi* for each twenty rupees. Otherwise usually the rate of interest is one anna per rupee. But the traders in the town half an anna per rupee. But the traders in the town borrow from 12 annas per cent. to Rs. 2 per cent., sometimes secured by some property and sometimes without security. The interest is usually determined after every three months or after every six months.

But before the introduction of the Land Alienation Act, when the money-lender saw that the debtor had sufficient property he allowed his interest to increase. When bonds were renewed the debt was shown as a fresh cash advance. And when it amounted to a considerable figure, in the first instance the landed property was taken under mortgage, and after some time it was bought.

1851. 3. The present legislation and the legal procedure as carried out in this province all help the money-lender. The witnesses make the following suggestions to save the ignorant but useful agriculturist from the clutches of his shrewd creditor.

(a) The rate of interest should be fixed by legislation and it should be made obligatory upon the courts not to allow anything beyond that limit.

(b) The loan which is secured on property, should be allowed by the courts to be paid in instalments.

(c) The present law about undue influence should be amended so as to bring money-lenders exacting a very high rate of interest from the needy agriculturists, within its perview.

(d) The Usurious Loans Act should be given full effect to, and means should be adopted to save the debtor from the tricks of the money-lender such as showing the old debt as a new cash advance and having the new bonds executed in the name of their friends.

(e) *Sahukara* Bill as moved in the Punjab Legislative Council by Mir Maqbul Mahbub should be promulgated here.

(f) Co-operative societies should be opened through the length and breadth of the Province. Irrigation projects should be taken in hand.

1852. 4. Yes, the financial difficulties are responsible for the replacement on a large scale of small agriculturists by bigger *zamindars* and money-lenders in our district. A very large area has passed into the hands of the money-lenders.

1853. 5. Yes a large number of efficient farmers are turned into tenants-at-will and in many cases have left their villages and are working

as labourers abroad. The particular feature of this district is that instead of fallow land coming under cultivation, arable land is turned into fallow land in many instances.

1854. 6. Really the process is taking away the incentive from the actual cultivators, to produce more or cultivate his land in a more efficient or better manner. The witnesses make the following suggestions for counteracting it.

(a) The amount of *takavi* loan for the district should be increased.

(b) Instead of advancing *takavi* loan in cash, the best quality of seeds should be provided to the agriculturists.

(c) Agricultural exhibitions should be held regularly.

(d) Agricultural farms for the demonstration of improved implements and methods should be opened by the Government.

1855. 7. Though it is not customary to extract personal labour from the borrowers, yet it is not unknown.

1856. 8. No such institution like transborder money-lenders, etc., exist in this district.

1857. 9. The Usurious Loans Act is given very little effect to in this district. The way to make it effective is to make it compulsory upon the Courts to apply it.

1858. 10. Sahukara Bill as introduced in the Punjab Legislative Council is badly needed in connection with the regulation and publication of accounts of moneylenders.

1859. 11. Arbitration Boards or village *punchayats* are unknown in this district. There is no such agency which may be resorted to for the settlement of accounts between the moneylenders and the borrowers. It can do much good if any such agency is established by the Government.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1860. 12. The *bania* is reported to for (1) the expenses during cultivation (2) capital and permanent improvements, and for (3) other special needs, failure of monsoon, land revenue, etc. There is no distinction of class among agriculturists and no other agency but the *bania* advances money in the villages.

1861. 13. In each case the agriculturist does his best to acquire *takavi* loan but on account of the very little amount of *takavi* obtainable and on account of the particular sort of treatment by the authorities, he cannot avail himself of this loan. There is no defect in the law of *takavi* itself. But there are difficulties for the agriculturist in getting it. Some provision is needed for its smooth working. The amount should also be increased indeed.

1862. 14. There are no credit agencies except the *bania*. Hence no question of co-ordination.

1863. 15. The agricultural produce is only financed by the *takavi* system. The defects have been shown under the reply to question 13.

1864. 16. The total amount of capital required at present for the various purposes mentioned in question No. 12, for the Kohat district is 20 lakhs. It is estimated on personal knowledge of general affairs of the district. However this is not an accurate estimate of the capital required for the purposes. The capital at present available is not adequate for the purpose.

*Sheikh Ghulam Rasul and others.*

1865. 17. There are no efficient marketing centres in our district for the crops. However the grain of the adjoining villages is gathered at Kohat, Thal, Lachi and Latambar. The *banias* work there. The ignorant land owners are matched with the shrewd *bania*, to the disadvantage of the former. Government supervision is needed at these places.

1866. 18. If the agriculturist brings his produce in these centres he has to pay charges such as *dharat*, *tulai*, *kalai*, *paltui*, *bharai*, *dharmu*, *shagirdi chhutiana*, *chungi*, etc. On coming to these places an agriculturist pays from 3 to 4 annas; there is large scope for improvement in this direction. But success can only be achieved through the co-operative movement.

1867. 19. Previous to taking to the market, the agriculturist stores his produce in his house and in the market with the ordinary *arhtis*. When the agriculturist leaves his produce as security in the so-called markets, he is able to acquire loan equal to half the worth of the produce at the rate of interest of 3 pies to six pies per rupee per mensem. But he is bound to pay the rates mentioned in the answer to question 18 and also the rent of the store house for keeping his produce.

1868. 20. It is possible to establish licensed ware-houses in India on the lines of the system which exists in the United States of America.

1869. 21. Co-operative shops are the remedy for procuring goods for the cultivators.

1870. 22. The people will greet the co-operative movement.

1871. 23. Reduction of duty will do a great deal towards the establishment of markets.

#### D.—LONG PERIOD LOANS FOR AGRICULTURE.

1872. 24. There is really an appreciable demand for long term credit in our district if the rate of interest is reasonable.

1873. 25. The big landlords can obtain loans on the security of land for the period of six years. The smaller *zamindars* can obtain up to three years.

1874. 27. Every *zamindar* prefers to obtain *takavi* loan. But the amount granted is very small. Moreover, before getting the money he has not unusually to satisfy the undue and exorbitant demands of the department in charge of *takavi*. If the *takavi* is advanced on the security of land only and no personal security is required, it would go a long way in creating facilities for acquiring this loan. The documents required to be furnished for acquiring the *takavi* loan should be given free of charge.

1875. 28. The land irrigated by fountain water in the Kohat town is worth from one thousand to four thousand rupees per acre. The other land which is irrigated by other means is worth from Rs. 500 to Rs. 2,000 per acre. The other land dependent upon rain is worth from Rs. 200 to Rs. 500 per acre. The annual produce of land to its value bears the ratio of 3 to 100. The value of the land in case of auction in the town is more than the average. And in the case of a village the land fetches lesser value in auction than the average.

1900. The exact number of indigenous bankers or money-lenders who failed cannot be ascertained but this class does not usually fail. Their failure depends on the failure of debtors who are pressed with high interest. Ordinarily merchants fail on account of the default of their debtors as well as decline in their business.

1901. 66. The bankers cannot meet the demands generally on account of the unacceptable nature of the security offered and insufficiency of capital.

1902. 67. Money is remitted by the public including indigenous bankers by means of supply bills and *hundis*. *Hundis* are much used from October to March and less frequently in the hot season.

1903. *Hundis* are gradually being replaced by pro-notes in order to avoid payment of stamp duty. This sometimes results in loss to the creditors. This can be obviated by exemption from duty and fixing period in pro-note.

1904. 69. The local banks do not keep more than is required. Whenever they have need of money they get it by selling *hundis* or by currency notes. Sometimes the intermediate class deposits its surplus money with bigger banker at 8 annas per cent. interest who deposit it in banks and use it whenever required. In case *hundis* on fixed period are purchased the money will remain in the district and not be sent to other districts.

1905. 70. *Hundis* are often taken at 12 annas per cent. per month. The Imperial Bank having the largest capital has greatly affected these rates.

1906. 71. In our district the old law is sufficient to deal with the banks. At present this law will not be practicable in North West Frontier Province as is the case in Calcutta regarding Chamber of Commerce.

1907. 72. The bankers are useful to the public in every respect, provided they act under the law with regard to the rate of interest.

1908. 73. Amendment should be made according to paragraph 72.

1909. 74. The *sahukars* will certainly not like the *sahukara* Bill, but it is beneficial to the *zamindars*, etc.

1910. 75. It is very essential for the Imperial and other banks to charge commission for periodical *hundis* and this system will be useful to the debtors, etc.

1911. 76. The co-operative bank can be connected to the towns and villages through co-operative societies.

1912. 77. The object can be gained by appointing the *panchayat* under the supervision of local officers.

1913. 78. The village banks should open their accounts with *sahukars* of the town and both should have their accounts with the Imperial Bank. It is possible.

1914. 79. The exact estimate cannot be given but when the cultivators become educated and well reformed, if steps are taken to improve their method of cultivation, it is quite possible that they will save money. The result will then easily be known and the extra amount will be deposited in banks.

*Sheikh Ghulam Rasul and others.*



1915. 80. At present nothing can be known but the improvements may be introduced as suggested in reply to question No. 79.

1916. 81. Owing to the defects referred to in reply to question No. 79, any money which the people have with them is spent in buying gold, etc. When the improvements are introduced, they will deposit their savings with banks.

1917. 82. As there are no co-operative societies in this district the public spend money on marriages and death ceremonies, etc. If there are co-operative societies, the public will save much.

1918. 83. Some *zamindars* give their produce for debt, and sometimes people give one maund of harvest for Rs. 20 as interest.

1919. 84. People appreciate the abolition of stamp duty on cheques. If banks are opened they will like to use cheques instead of cash and every person will open his account in the bank.

1920. 85. Education is the only way of inculcating the habit of saving.

1921. 86. Now the pensioners, Government servants, court of wards and provident funds deposit money in postal savings bank, but if banks are opened people will transfer their account to the banks.

1922. 87. We do not know.

1923. 88. The condition of the people will improve when they are better educated, and stop taking interest.

1924. 92. This is possible by education.

1925. 93. New branches of the Imperial Bank should be opened in this district, as there are none at present. The people of the place where there are such branches, have derived much benefit. They will be a convenience to the *zamindars*, the income-tax payers and other persons, etc.

1926. 94. There is no bank except the indigenous bankers in this district. It is very essential to open co-operative societies and a branch of the Imperial Bank.

1927. 95. There should be branches of co-operative societies in Kohat, Teri, Lachi, Hangu, Thall, Bahadur Khel, Karrak. The Imperial Bank should be in Kohat.

#### Oral evidence.

(Khan Sahib SHEIKH ABDUL RAHMAN one of the signatories to the above memorandum was examined.)

1928. *Prof. Chabiani*: You say in your memorandum that no debt is ever incurred for manure?—Yes, Kohat people do not borrow for manure.

1929. What percentage of the total borrowings of an agriculturist is expended on productive purposes?—Only 10 per cent., which is expended on seed, etc.

1930. Therefore facile credit would prove more harmful if he was allowed to borrow more cheaply?—I mean to say that only such debts should be encouraged as would help towards increasing the income of the agriculturist.

1931. You say in your memorandum that "the Land Alienation Act was enforced in your District in 1921 and that the money-lending classes

*Khan Sahib Sheikh Abdul Rahman.*

of the adjoining districts have availed themselves of this fact so much so that nearly  $1/4$ th of the land is under mortgage and  $1/4$ th is alienated." I have got certain figures which would show that both the areas mortgaged and alienated are much less in Kohat than in any other District in the Province?—In my calculations I have taken only Kohat and Teri Tahsils and have excluded Hangu Tehsil. So my remarks refer only to two tehsils.

1932. Your contention is that since 1904 more land has passed into the occupation of the money-lenders?—Yes.

1933. Looking to the Land Revenue Report and the figures given therein, it appears that the land transferred to the hands of the agriculturists is more than what has been transferred to the non-agriculturists. Have you ever looked at those figures?—But I may state that most of the transactions are *benami*, and consequently the true figures cannot be ascertained. I myself am a non-agriculturist and I have purchased land in the name of a third person (an agriculturist) for fear of pre-emption.

1934. So then you think that the difference in the official figures and your estimate is due to *benami* transactions?—Yes.

1935. What is the rate of interest charged for money given in these *benami* transactions?—In such transactions the rate of interest charged is comparatively low, because the purchaser hopes to get the produce of the land or the land itself; and it never exceeds 12 per cent.

1936. What is the yield of land per acre on the selling value of the land?—5 per cent.

1937. Are the lands mortgaged to the full extent of their value or to the extent of half or  $3/4$ ths, of their value?—The better qualities of land are mortgaged for more than half, even up to  $2/3$ rds in the Kohat District.

1938. If they are mortgaged to  $2/3$ rds or half, the yield of the land cannot pay 12 per cent. interest on the mortgaged money according to the figures which you have now given?—The land of average quality cannot yield 12 per cent. interest.

1939. So that the *benami* transactions cannot yield 12 per cent.?—Such transactions yield at the most 12 per cent. and at the lowest 9 per cent.

1940. So this *benami* transaction is done by means of a pro-note, which is given by the agriculturist, in whose name the mortgage deed or the sale deed has been executed to the purchaser. The pro-note after three years has to be renewed, when interest has to be added to the principal if it is not paid?—In Kohat generally the produce is delivered in lieu of interest. The pro-note is executed for a larger amount than what actually changed hands.

1941. Who will pay the extra money?—The pro-note is sometimes executed in his own name, sometimes in the name of another person.

1942. Then the real rate of interest which accrues to him is much less?—The value of the produce is generally less than the rate of interest agreed upon.

1943. You say that Kohat people have many other sources of income in addition to land. What are these sources?—They serve as soldiers and the poorer classes work also as carriers.

1944. The holdings of the Kohat people are smaller than elsewhere. Are they not?—There are very small holdings.

1945. What is an economic holding in your opinion? Twelve acres of good land in the Kohat Tehsil.

1946. But have the majority of people got 25 *jaribs* in Kohat?—No.

1947. Has the average holding in Kohat Tehsil increased or decreased since 1904?—It has considerably decreased.

1948. But in 1904 it was 4·2 acres, so now it must be much less?—May be so.

1949. Is there any compound interest in *benami* transactions?—No.

1950. You say that the period of limitation should be reduced, so that there may be no addition of interest to the principal after 3 years?—In my opinion it should be reduced to two years.

1951. If it is two years, the compound interest will go up if money remains unpaid at the end of every two years?—But I think people would learn to pay up their debts.

1952. At what rate of interest do the traders borrow in the city?—The traders in the city borrow from 12 annas per cent. to Rs. 2 per cent. per mensem.

1953. Do you think these rates are reasonable in the city?—They would also be benefited if the rate of interest could be fixed.

1954. You say that “the rate of interest should be fixed by legislation”. Should this be so even if the money is paid after 50 years?—No.

1955. Then you would like to put the above limit provided the money is recovered within a certain period. What penalty would you impose if the money is not recovered within that period?—Compound interest should be awarded.

1956. You would apply that also to traders in towns whose rates you consider unreasonable?—Yes.

1957. You say that “the loan which is secured by some property may be allowed by the courts to be paid in instalments”. Will you fix any limit of the maximum number of instalments?—There should be a greater number of instalments in the case of every private lender. This principle would apply also to traders in towns.

1958. A business man, therefore, will have to lock up his capital for the whole period of instalments?—That is the reason why I suggested the reduction in the period of limitation.

1959. In how many years would you ordinarily expect the loan to be recovered?—Short term loans should be recovered at the time of the produce; other loans within two years.

1960. You suggest that loans for current expenses should be recovered within six months, and if the money is not paid at the first harvest, compound interest should be charged on it?—No, I have suggested penalty for 50 years' loan.

1961. As regards the loans for which you suggest 2 years as the limitation period, if they are not recovered within that period, what penalty

K. S. Sheikh Abdul Rahman.

should be imposed?—The agriculturists should not be penalized in any case.

1962. Supposing a man borrows Rs. 100 as *takavi*, what is the total amount of charges that he has to pay?—I can't say; but the bigger man has to pay less than the smaller man.

1963. You mean to say that the price that the bigger man has to pay is lower than the price that the smaller man has to pay?—The higher the amount of *takavi*, the less are the charges.

1964. Are you satisfied with the present system of *takavi* distribution?—I like it.

1965. Do you find it cheaper than borrowing it from the *bania*?—Yes.

1966. *Nawab Major Mohd. Akbar Khan*: Do you agree to the continuation of the Land Alienation Act?—Yes.

1967. Do you require co-operative banks?—Yes.

1968. Do you wish that your cases should be decided under the Usurious Loans Act?—Yes.

1969. Have you ever heard of the Money-lenders' Account Bill?—Sahukara Bill should be introduced here.

(*The witness withdrew.*)

The Committee then adjourned till 10-30 A.M. on Tuesday the 10th December 1929, at Ajmer.

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# Banking Enquiry Committee for the Centrally Administered Areas.

Interview.

*Peshawar, the 14th November 1929.*

## Summary of an interview with L. Dhera Shah of the firm of L. Amir Chand Lakhmi Chand, Bankers, Peshawar.

PRESENT :

Prof. H. L. CHABLANI.

L. BAL KISHAN.

Khan Bahadur HAJI KARAM ELAHI SETHI.

Mr. V. S. MARBALLI, (*Secretary.*)

L. Dhera Shah stated as follows:—

1970. The following are the leading indigenous bankers of the North-West Frontier Province:—

*Peshawar.*

1. R. B. KARAM CHAND KHANNA.
2. L. AMIR CHAND LAKHMI CHAND.
3. L. NARAIN DAS CHELARAM.
4. L. ISHAR DAS RAMJIDAS.
5. Babu KANHIYA LAL.
6. L. NANDLAL RAM CHAND.
7. L. HUKAM CHAND DUNI CHAND SHROFF.
8. L. DIWAN CHAND GOBIND RAM.
9. L. KISHANDAS GOBIND RAM.
10. L. SIDHURAM DULI CHAND.
11. L. WISANDA RAM BALKISHAN.
12. S. BHAGAT SINGH & SONS.
13. R. S. MEHR CHAND.
14. K. B. HAJI KARIM BAKHSH & SONS.

*D. I. Khan.*

1. R. B. SUKHURAM CHHABIL DAS.
2. Seth TIKAYA RAM CHOKHA RAM.
3. L. SIDHURAM DULI CHAND.
4. R. S. JESSA RAM HIRANAND.
5. L. GELARAM KISHANDAS.

*Kohat.*

1. Messrs. BUTA MAL PARMANAND.
2. Messrs. RAMCHAND TIRATH RAM.
3. R. B. Sardar MAKHAN SINGH & SONS.
4. R. S. MATHRADAS.

*L. Dhera Shah.*

*Hazara (Haripur).*

1. L. DIWAN CHAND BHOLA RAM.
2. L. JAWALA SAHAI UTTAM CHAND.
3. L. BHAGAT SUKHDIAL AMIR CHAND.
4. L. KHAZANA MAL GAUJAR DAS.
5. L. RADHA KISHAN MOHR CHAND.

Abbottabad.

R. S. Seth CHUHAN LAL & SONS.

1971. Approximately 25 per cent. of the working capital of the indigenous bankers is owned by them; the rest is raised by means of deposits or by the sale of demand promissory notes or advance from bankers. Each of the other sources contributes also about 25 per cent. towards the working capital. Their total business is of about 2 crores a year in Peshawar city. All these bankers combine other business with banking.

1972. Peshawar bankers have got connections with the mofussil bankers in Mardan, D. I. Khan, Charsadda, Nowshera, Abbottabad, Haripur, Mansehra, Bannu, Thal, Hangu and Parachinar.

1973. Village money-lenders and traders had formerly connection only with the mofussil villages, but now some of them have got direct connections with the bankers in big markets. Small towns like Charsadda, Utman, Kurram, Thal, Dargai, Hathian, Purkho Dheri Mandi, Thakht Bahi have got direct connections not only with Peshawar, but with Amritsar, Karachi, Bombay and other distant places.

1974. Now-a-days both money-lending and trade are done not only by the Hindus but by Mohammadans also. In fact the money-lending business and trade of Mohammadans in this Province is in no way less in volume than that of the Hindus.

1975. The shroffs and bankers in Peshawar have got connection with the Imperial Bank almost throughout the year, as some money is always due from them to the bank. In the busy season the connection is much closer as the amount advanced by the bankers rises considerably.

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*	*	*	*	*

1976. The bankers among themselves do not now-a-days use *miyadi hundis*. The total amount of *miyadi hundis* is only about 4 lakhs in Peshawar, and this is generally because of the business with the Imperial Bank and Chartered Bank. In business transactions generally demand promissory notes intended really to serve as *miyadi hundis* are used to the extent of about 50 per cent., the other 50 per cent. being rupees and notes almost in equal proportions. The agriculturist seller receives rupees and notes. The use of notes is increasing every day even amongst the Pathans. The village dealer also gets cash from the *mandis*. It is between the *mandis* and the big cities like Peshwar that *hundis* are used.

1977. The indigenous banker either allows his client a cash credit against proper security or advances to respectable persons without any security or takes a pronote.

1978. In addition to their own capital indigenous bankers provide themselves with funds partly by getting advances from banks partly by selling *hundis* in the market and partly by taking deposits, from the public. Deposits are confined to the town bankers and the big shroffs, and form about 25 per cent. of their working capital.

1979. The deposit rates vary between 5 per cent. and 8 per cent. according to the standing of the shroff. Some of the shroffs make no difference of rates in different seasons, but some do. The difference between the rate in the busy season and slack season is limited to about 2 per cent. at the most.

1980. The *sahukars* among themselves lend money for very short periods, say for less than 15 days at about  $5\frac{1}{2}$  per cent. but if the loan is for a longer period the rates go up to 9 per cent. The difference between the slack and busy season is about 2 per cent.

1981. The indigenous bankers are generally respected by the business community here.

1982. With a working capital of about one lakh the gross return of a banker cannot exceed Rs. 12,000 to Rs. 15,000, of which at least half will go towards his expenses and management charges and losses, so that he can hardly get 6 per cent. to 7 per cent. as his return. Many indigenous bankers and money-lenders have failed since 1920. In the city of Peshawar I can easily remember about 15. Generally the business is declining.

1983. Indigenous bankers do buy supply bills gaining sometimes about 3 pies per cent. in the transaction though sometimes they have to sacrifice all their gain with a view to keeping up their prestige. The remittance business has ceased to be generally profitable since the Imperial Bank started selling supply bills.

1984. Money does flow from one rural centre to another and from rural centres to urban centres. The difference sufficient to move the money from one place to another in this Province is at least 2 per cent.

1985. The indigenous bankers have got *hundi* dealings with Karachi, and Bombay and to a small extent with Calcutta and Amritsar. About 6 of the indigenous bankers in Peshawar have got branches in Bombay

L. Dhera Shah.

and about 3 have got branches in Karachi. The total volume of *hundis* on Bombay and Karachi must be about 2 crores each.

1987. The duty on bills should be reduced and gradually abolished in order to encourage the bill habit.

1988. In mofussil centres funds cannot be employed throughout the year; surplus funds, therefore, find their way into Peshawar in summer where they are employed in financing trade specially grain trade. The amount thus transferred to Peshawar is about 6 lakhs a year.

1989. If the indigenous bankers are made, under proper safeguards, guaranteeing agents of the Imperial Bank in places where there are no branches of the Imperial Bank, banking facilities can be greatly extended in the mofussil.



*Peshawar, the 14th November 1929.*

# Summary of an interview with Haji ALLAH BAKHSH Sethi, Fur Merchant.

PRESENT :

Prof. H. L. CHAMLANI.

L. DAL KISHAN.

K. B. HAM KARAM ELABI SETHI.

Mr. V. S. MARBALLI (*Secretary*).

1929. Mr. Haji Allah Bakhsh Sethi stated as follows:—

The total volume of fur trade in Peshawar must be about one crore of rupees. Fur is imported from Afghan Turkistan. We have got an agency in Afghanistan. We remit money to Kabul by means of bills of exchange on Kabul at a rate previously settled. The rates generally vary from time to time. I also pay Kabul by means of goods sent. It is through Kabul that I pay Mazar for the furs I purchase. I give *hundis* on Hindu Merchants in Kabul as also on Peshawari Muslims and Kabul merchants there. The *hundis* are drawn on merchants in Kabul and turned into cash by my office in Mazar. The *hundis* are generally 5 or 10 days after sight. *Hundis* on Kabul merchants I purchase in Peshawar from the exporters to Kabul. I sometimes send goods to Mazar through Kabul and my office realises money there and pays the purchase money for furs. The furs I get I sell either in Peshawar or send them to my London commission agents. I have got a firm in Bombay as well as Shanghai. Bombay is no market for furs.

1931. If I desire I can obtain advances from the banks on the securities of furs. Since the furs are exported to London the fur trade is financed by exchange bills on the security of furs exported. Advance sometimes goes up to 75 per cent. of the market value. My commission agent in London accepts the bill on my behalf and meets it generally on the due date, which is generally 90 days after sight, out of the sale of furs. If for any cause furs are not sold within this time, the limit is sometimes extended. There are certain difficulties experienced in dealing with the banks on which I shall give a supplementary note.\*

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\*Not received.

*Tahkal Bala (Peshawar), the 18th November 1929.*

**Summary of an interview with agriculturists of Tahkal Bala and the neighbouring villages.**

**PRESENT:**

The Honourable Nawab Major MOHAMED AKBAR KHAN, C.I.E.,  
I.A., M.C.S., Khan of Hoti.

Prof. H. L. CHADLĀNI, M.A.

Mr. V. S. MARBALLI (*Secretary*).

*List of villagers present.*

1992.--

<i>Name of the village.</i>	<i>Name of the land owner.</i>
<i>Tahkal Bala</i> . . . . .	1. Arbab Afridi Khan. 2. Arbab Fattah Mohd. Khan. 3. Arbab Abdulla Khan. 4. Malik Ghulam Khan, <i>Lambardar</i> . 5. Wali Mohd., <i>Lambardar</i> .
<i>Palosai Uttozai</i> . . . . .	1. Malik Nauroz Khan. 2. Malik Mohd. Usman, <i>Lambardar</i> . 3. Ajab Khan, <i>Lambardar</i> .
<i>Palosai Monzarzai</i> . . . . .	1. Barhan, <i>Lambardar</i> . 2. Sher Mohd. Khan.
<i>Palosai Talozai</i> . . . . .	1. Abdulla, <i>Lambardar</i> . 2. Ahmad Khan.
<i>Palosai Piran</i> . . . . .	Pir Band, <i>Lambardar</i> .
<i>Sufaid Dheri</i> . . . . .	1. Mohd. Aslam Khan. 2. Bahadar Khan, <i>Lambardar</i> . 3. Samundar Khan.
<i>Naudeh Bala</i> . . . . .	1. Khushal Khan. 2. Ajun, <i>Lambardar</i> .
<i>Haji Pando</i> . . . . .	1. Gul Mir, <i>Lambardar</i> . 2. Subedar Daud Khan.
<i>Sarband</i> . . . . .	1. Ghulam Sarwar } <i>Lambardars</i> . 2. Sher Ali Khan. }
<i>Lanji Bala</i> . . . . .	1. Shakur, <i>Lambardar</i> . 2. Abdul Ghafur.
<i>Sangu</i> . . . . .	1. Safdar } <i>Lambardars</i> . 2. Gul }
<i>Mullazai</i> . . . . .	1. Capt. Ghulam Mohd. Khan. 2. Lieut. Bahadur Sher Khan. 3. Subedar Mir Alam Khan.
<i>Makri</i> . . . . .	1. Mir Azam } <i>Lambardars</i> . 2. Sarfraz } 3. Nadir Khan.
<i>Achini Payan</i> . . . . .	1. Sandal Khan } <i>Lambardars</i> . 2. Asghar Khan }
<i>Achini Bala</i> . . . . .	1. Abdul Ghafur, <i>Lambardar</i> . 2. Pir Sher Badshah.

<i>Name of the village.</i>	<i>Name of the land owner.</i>
<i>Dhenghe Ha</i> . . . . .	1. Sarfaraz Khan 2. Juma Khan } <i>Lambardars.</i> 3. Lashkar Khan.
<i>Kofur Dheri</i> . . . . .	1. Malik Abdul Khalik Khan. 2. Mohd. Akram Khan, <i>Zaildar.</i>
<i>Shahi.</i> . . . . .	1. Mohd. Ibrahim Khan, <i>Lambardar.</i> 2. Rahmat Khan.
<i>Tahkal Payan</i> . . . . .	1. Murad Khan. 2. Taj Mohd. Khan } <i>Lambardars.</i> 3. Khadi Khan.
<i>Paoka</i> . . . . .	1. Mussali 2. Sultan Mian } <i>Lambardars.</i> 3. Fateh Khan. 4. Abdul Quiyum.
<i>Indra</i> . . . . .	1. Kazi Rahimullah. 2. Akhtar.
<i>Nauleh Payan</i> . . . . .	1. Naurozkhan } <i>Lambardars.</i> 2. Mira Khan } 3. Sherdil. 4. Haroon.
<i>Pushti Khara Payan</i> . . . . .	1. Faizullah 2. Ghulam Mustafa } <i>Lambardars.</i> 3. Dilbar 4. Murad Khan.
<i>Pushti Khara Bala</i> . . . . .	1. Shaikh Ahmad. 2. Sarfaraz. 3. Malik Sarfaraz II.
<i>Landi Akhun Ahmad Sahib</i> . . . . .	1. Sahibzada Sher Zaman. 2. Rahimullah, <i>Lambardar.</i>
<i>Garhi Sikandar Khan</i> . . . . .	Malik Muin, <i>Lambardar.</i>
<i>Tahkal Balu</i> . . . . .	1. Wazir Singh. 2. Dula Singh. 3. Dalip Singh. 4. Hira Singh.
<i>Tahkal Payan</i> . . . . .	1. Shalig Ram. 2. Hari Chand. 3. Lal Chand.
<i>Palosai Talozai</i> . . . . .	1. Amir Chand. 2. Chanan Singh.
<i>Palosai Mazorzui</i> . . . . .	1. Nika Mal. 2. Gopi Chand.
<i>Sufaid Dheri</i> . . . . .	1. Duni Chand. 2. Prabhji. 3. Madan.
<i>Fuoka.</i> . . . . .	Ditta Mal.
<i>Naudch Payan</i> . . . . .	1. Amir Singh. 2. Jaggo.

*Agriculturists of Tahkal Bala.*

### Shaligram, Hindu, inhabitant of Tahkal Payan.

1993. *Professor Chablani*: Which village do you belong to?—I belong to Tahkal Payan. My family has been there for the last six or seven generations.

1994. How many houses are there in that village?—There are five houses of Hindus and 800 houses of Muhammadans.

1995. What do you do in that village?—I recover land revenue.

1996. What are you in the village?—There are four *lambardars* in the village and I work on their behalf.

1997. Have you got any account book of your own? I have not got any old account books.

1998. Do you do any business in the village?—I deal in cotton and *jowar*.

1999. Do you advance money on interest?—I do not now lend money on interest. I used to do so but lost heavily in a dacoity in which two Muslims of this village were also killed while defending the village.

2000. How do you manage to live in the village if you do not do any lending business now?—I have got a shop and my son carries on the shop business. Persons from outside come to the village and purchase cotton and I charge my commission.

2001. Is there any *mandi* in the villages?—No, it is in the Peshawar City.

2002. Do you store cotton in a village house?—Yes. Purchasers come to the village and make purchases and I get my commission. The sellers then go to the treasurer of the buyer in the city of Peshawar and get their money from him.

### Hira Singh.

2003. What do you do in the village?—I have got 3 shops in the village.

2004. Do you advance money on interest?—I am a petty shopkeeper. I do not now lend out money on interest.

2005. (To all Hindu residents present.) Is there no one amongst you who advances money on interest?—None.

2006. How do the agriculturists then get loans for their needs?—No money-lender in the villages now advances money to the agriculturists on interest.

### (QUESTIONS TO MUSLIM AGRICULTURISTS GENERALLY.)

2007. *Nawab Major Mohd. Akbar Khan*: At what rate do the money-lenders charge interest from you?—They charge at the rate of  $2\frac{1}{4}$  per cent. per mensem.

2008. At the time of recovery do they not give up something?—When they go to the civil courts; nothing is given up otherwise.

2009. *Prof. Chablani*: For seed purposes from whom do you get the money?—From the city. We are ruined because of litigation, not on account of interest that we pay.

### Chulam Sarwar Sarband.

2010. Where have you got your land?—About 7 miles from this place.  
 2011. About April or May how much did you borrow for seed?—I got Rs. 300 from the Government as *takavi*.  
 2012. Did you borrow from any banker or money-lender?—No.  
 2013. Out of the *takavi* that you got how much did you pay to the *patwari* and others?—About Rs. 25 I spent in getting the *takavi*. I got in fact Rs. 275 net.  
 2014. Have you repaid the *takavi*?—I have yet to repay it.  
 2015. At the time of paying back how much will you actually pay?—I will pay by instalments at each crop, say Rs. 50 or Rs. 100 at each crop.  
 2016. When you go to repay, will you have to pay again to any of the revenue subordinates?—Yes I have to pay Re. 1 for every Rs. 50.

### Abdul Qayum of Paoka.

2017. Have you ever borrowed money from any *bania*?—I have borrowed Rs. 100 from a *bania*; I did not borrow *takavi*, because it was more expensive.  
 2018. What security did you give for the money?—I got the money by pledging ornaments worth Rs. 400 at 3 per cent. per mensem. I have not yet paid anything out of this sum.  
 2019. Did you borrow any money from anybody 3 or 4 years ago?—I borrowed money at 3 per cent. per mensem about 2 years ago.  
 2020. Have you paid back this amount?—I have not paid the principal, but only interest.  
 2021. Has any suit been brought against you by the creditor?—The creditor is accumulating his dues to get his full amount.  
 2022. Are you borrowing always from the same person?—Yes.  
 2023. What payments have you made to him?—I have paid Rs. 200 as interest on his Rs. 300 principal.  
 2024. How did you pay?—In order to recover his interest the money-lender bought the barley crop on 2½ acres of my field.  
 2025. Who settled the price of the barley with him?—The *zamindar* settled it.  
 2026. Was it worth Rs. 200 in the market?—Yes, it was.

2027. Does *takavi* come to be more than 3½ per cent. per mensem?—Yes. At first I have to go to the *patwari* to get the *fard*, for which I pay Rs. 5; then on making the petition we have to pay Rs. 5 to each of the following persons *Girdawar Qanungo, Wasil Bagmawis, Siga Nawis*, etc.

2028. When you return the money, will they have to be paid again?—At the time of returning the money we pay whatever we like.

2029. Is your land mortgaged to anybody?—My watermill is mortgaged for Rs. 1,140, land for Rs. 1,000, another plot of land for Rs. 700 and another plot for Rs. 700. My watermill and land are mortgaged to 5 persons.

2030. How much interest do you pay to them?—The property has been hypothecated.

2047. Do any Mohammadans charge interest?—Yes. Some Mohammadan pleaders like . . . . \* do.

2048. Are the agriculturists getting on quite alright with the *banias* of your village?—Quite. There is no quarrel nor any trouble.

2049. Does the *bania* borrow money from the city?—Yes.

2050. Have you any knowledge of the rate at which he gets loan from the city?—He gets at about 9 per cent. to 12 per cent. from the city.

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\* Name not printed.

## Summary of an interview with some merchants at Hoti.

PRESENT.

Prof. H. L. CHABLANI.

L. BAL KISHAN.

Mr. V. S. MARBALLI (*Secretary*).

2051. Names of merchants present—

1. Seth Hirachand Kishinchand.
2. Ramchand Dassundi Ram.
3. Ramkishen Lokchand.
4. Jai Ram Ramchand.
5. Laiq Ram Bishandas.
6. Diwan Chand Santram.

The information in the following paragraphs was supplied.

2052. The main article of trade in Mardan *tehsil* is *gur*. The *gur* produced here is of a very fine quality and exported mostly to the Punjab. The next in importance is grain. Among the grains wheat comes first, then *jowar*, unhusked rice, a little of cotton and some quantity of pulses. Since 15 years this tract is growing *malta*, Japanese *alucha*, and grapes. There is also a large amount of internal trade in articles which are imported in India from outside. About 1½ lakhs of baggages of *gur*, one lakh maunds of wheat, one lakh maunds of *jowar*, 50,000 maunds of tobacco at about Rs. 6 per maund, about one lakh worth of fruits are sent out every year from here. The last mentioned is capable of expansion.

2053. Most of the produce sold here comes from villages in this *tehsil* within 40 miles' distance from this place, but sometimes people come from places even 80 miles distant in Swat and Bonair, which are independent territories. The most general system of marketing is that the owners of donkeys take advances from this place, buy grain in the interior and bring it here. They generally take only a little commission over the cost of carriage and are content with a very small profit and every day each one of them brings about 100 maunds of produce. These carriers are all Mahomedans. Each one of them is trusted with an advance of about Rs. 2,000 or Rs. 3,000 which they return within 3 or 4 days in the shape of the corn which they bring from the interior. Hardly 25 per cent. of the dealers here deal directly with the producers, who bring their produce for sale in this market. The third way in which the produce comes here is through *banias* of the villages, who store the produce themselves, then come to the *mandi* and settle the price and then arrange for the cartage. About 50 per cent. of the total produce sold here is brought by means of the donkey owners, 25 per cent. through the agency of the village *banias*, and 25 per cent. by the *zamindar kashtkar* direct. The advance to the donkey owners is almost to the full extent of the purchase money. The advance to the *zamindar* varies from Rs. 2-8-0 to 8 annas per baggage (consisting of 1½ or two maunds). The advance to the *zamindar* is given about 7 days at the most before the produce is received. The price is settled at the time of the advance. In this *mandi* advances

are not given for any considerable period before the receipt of the produce. One of the main reasons why no advance is given a considerable time before the produce is received is the fact that the *zamindar* cannot trust the *Mohmands* in the independent territory with an advance unless the produce is in sight and can be had within a few days. No interest is charged on this advance. The village *bania* also receives an advance on the same system as the *zamindar*, that is, for only a few days before he can bring the produce. In the case of *gur* the same system is followed for the larger part, but the advances are for slightly longer periods sometimes.

2054. The merchants here do not store the produce. They are almost all commission agents on behalf of merchants in other places such as Karachi, or, as in the case of things like barley, they send supplies to the Military on behalf of military contractors. Goods are sent from here only on receipt of instructions from our principals in other stations or from the military contractor in the case of barley. Interest is charged for the period the goods are lying in our godowns at the rate of 5 per cent. After receiving the railway receipt our principals pay us within such period as they conveniently can or as previously arranged or in the case of a party whom we do not trust fully, he gets the railway receipt through a bank only and has to pay to the bank. We get only 5 per cent. or  $5\frac{1}{2}$  per cent. interest for the period the money remains unpaid. We charge commission at the rate of one per cent. We recover the money either by means of postal insurance or through the bank or through *hundis*. The main bankers here are Seth Duni Chand and Diwan Santram. We pay Seth Duni Chand at the rate of 2 annas per cent. for recovery of money. After the starting of the People's Bank, the charges on *hundis* has gone down from two annas to 6 pice per cent. and sometimes it is even 4 pice. *Hundis* are issued only either on Karachi, or the military contractor.

2055. Of the other articles, *jowar* is sent to Hazara and Rawalpindi, *gur* is sent to the Punjab, tobacco is sent to all parts towards the east, both in the Punjab and Delhi and even beyond Delhi. The trade with Hazara is financed by cash coming here either through the post office insured covers or through the merchants or through agents from Hazara who come here to purchase commodities. For tobacco also the agents come here and stay for a few days and sometimes even for one month to make their purchases and make all payments to us by means of notes either personally or through post office in insured covers.

2056. 40,000 maunds of sugar are annually imported here and sent on to the various parts of this *ilaga*. Three of the sugar merchants have got their offices in Karachi and here. Money realised here from the sale of sugar is remitted by means of the Imperial Bank drafts through Nowshera or Peshawar. In a month about Rs. 20,000 are sent through the Imperial Bank.

2057. The village money-lenders and dealers have got money dealings among themselves, borrowing from one village to lend it in another, but there is directly no lending from this market to the village dealers or money-lenders. There was some amount lent directly to the *zamindars* by the *sahukars* of this place before the passing of the Land Alienation Act, but since then it has practically stopped. Merchants in the mofussil who buy sugar or other commodities are charged about 8 per cent. interest for the period the money remains unpaid. The practice here is that when a *hundi* on a person is for Rs. 1,000 and he has only Rs. 500 cash, his creditor waits for a day or two to receive the balance of Rs. 500 without creating any difficulty, allowing the debtor to discharge the obligation incidental to the Rs. 1,000 *hundi* by paying only Rs. 500 immediately.

*Merchants of Hoti.*



*Hoti, the 21st November 1929.*

## Summary of an interview with the *zamindars* of Hoti.

PRESENT.

Prof. H. L. CHABLANI.

L. BAL KISHAN.

Mr. V. S. MARBALLI (*Secretary*).

2058. About 50 *zamindars*, the names of some of whom are given below were present:—

1. Khan Mohamed Anwar Khan.
2. Mirza Sultan Mohamed Khan.
3. Risaldar Torsam Khan.
4. Khan Pir Mohammed Khan.
5. Khan Mohamed Ayyub Khan.
6. Malik Toti Khan.
7. Akbar Khan.
8. Syed Latif Badshah.
9. Seth Hari Chand.
10. Bhai Jawahar Singh.
11. Seth Ramditta Mal.
12. Chaudhri Sajan Mal.
13. Bawa Prem Singh.

They supplied the information contained in the following paragraphs—

2059. In Mardan the grain from villages within ten miles is partly brought for sale by the *zamindars* themselves, partly by the agents of merchants who go to the mofussil to purchase on their behalf and partly by the village money-lender and dealers. Approximately one-third is the share of each. Beyond ten miles the carriers (donkey-owners) bring about one-third to half of the produce sold here, the balance being brought and sold by the village dealer, partly on his own behalf and partly as a commission agent of the Mardan dealers.

2060. The most important thing for the producer is to know the current prices of the various kinds of produce, and therefore the current market prices of commodities should be widely made known to the agriculturist through some form of co-operative societies, and primary education should be of such a character as to give the elements of business knowledge and methods to those who receive education in the schools.

2061. About *gur* the general system is that in the month of January or February an advance at the rate of Rs. 10 per *jarib* is given to the producer on his undertaking to sell the produce through the dealer. The produce is sold in the month of December through the dealer who charges commission at the rate of Rs. 4 per *jarib* producing about 12 maunds. The market price is credited to the producer and ranges between Rs. 6 and Rs. 8 per maund. The producer has thus to pay Rs. 4 for the advance in the month of March. No interest is charged but he gets more than his interest in the shape of his so-called commission, *chungi*, etc. For grain, generally there is no system of advance as in the case of *gur*. The produce when ready is sold to the dealer under the system described.

*Peshawar, the 22nd November 1929.*

**Interview with Mufti ABDUL LATIF, Munsif, on points dealt with in Questions 9, 10—12 and 48 of the Questivemise.**

PRESENT:

Prof. H. L. CHABLANI.

Mr. V. S. MARBALLI (*Secretary*).

2062. *Question 9.*—The Usurious Loans Act is not made any use of in the cases coming before me.

2063. *Question 10.*—In the suits coming before me the small money-lender of the villages seldom keeps regular accounts. I believe it is largely due to the fact that he is too small to afford to keep regular accounts. Generally he had some kind of a memorandum of one book that contained everything, but of late even that seems to have disappeared as he now relies mostly on bonds.

2064. *Question 12.*—The village money-lender in the plaint claims varying rates of interest between 12 and 36 per cent., but the courts seldom award him more than 18 per cent. This is not a net return on his capital. Taking the cost of all the proceedings necessary for realising money I am of opinion that his net return would come to about 12 per cent. The bigger money-lenders' rates are generally lower and the return that they get is, I believe, between 9 and 12 per cent.

2065. *Question 48.*—The rates of interest in the town of Peshawar vary among different classes. The shroff or the indigenous banker charges about 6 per cent. to the big dealers. Big dealers charge smaller traders rates varying between 6 and 12 per cent. On mortgage of house property the rate is generally 12 per cent. and normally it takes about 3 years to realise the money in a mortgage suit. The lower section of the middle class and the poorer classes in the city have to pay a higher rate of interest generally about 18 per cent. Comparing the security offered by these classes to the security offered by an agriculturist to his non-agriculturist money-lender in the villages, the security on which the money-lender lends to the lower section of the urban classes is distinctly higher. It is very common in the city to get loans on the security of ornaments and except in the cases of a few men of standing in whose case it goes down to 9 per cent., the rate generally is between 12 and 18 per cent.

*Mufti Abdul Latif.*

*Peshawar, the 22nd November 1929.*

**Interview by Professor Chablani with L. MANI RAM, Agent,  
Peoples Bank of Northern India, Ltd., Peshawar City.**

2066. The Peoples' Bank of Northern India has got its branches at Dera Ismail Khan, Bannu, Kohat, Nowshera, Mardan, Peshawar Cantonment and Peshawar City. Banking is not confined to any one community in the North-West Frontier Province. I know of three or four Mohamadan bankers who do money-lending and banking. Their names are:—

1. Haji Safdar Ali.
2. Messrs. Abdul Ghani Sanwal.
3. Mr. Toraqul Boi.
4. Haji Fazal Elahi.
5. Diwan Begi.
6. K. B. Haji Karim Bakhsh Sethi.

2067. These Muslim merchants who deal in *hundis* in other centres, do calculate interest charges in fixing their rates. Some of them do not care now even to disguise the taking of interest, but some call it *munafa* instead of interest in order to avoid social disapproval. I am unable to add to the list of Hindu bankers in the North-West Frontier Province given by L. Dhera Shah. 25 per cent. of the working capital of these indigenous bankers is their own capital. Nearly 50 per cent. of it comes from private deposits with them and about 25 per cent. is raised by *hundis* or by means of advances from the banks. The total working capital of these bankers in the city would be about 115 lacs, of which about half, *i.e.*, 57 lacs are deposits with them. The joint stock banks in Peshawar have about 75 lacs of deposits with them, so that compared to the joint stock banks quite a considerable proportion of the private deposits is with these indigenous bankers. The working expenses of these bankers are very low as compared to our working expenses. These indigenous bankers take advances from the banks particularly in the busy season. Compared with the advances from other banks, the amount borrowed from the Imperial Bank is very much greater. Generally the Imperial Bank does rediscounting business with these indigenous bankers. These indigenous bankers do not lend money by means of overdrafts or cash credits, but they give generally fixed loans or by *miyadi hundis* or lend money on demand promissory notes. The joint stock banks charge them a minimum rate of  $7\frac{1}{2}$  annas per cent. per mensem and a maximum of about 12 annas per cent. per mensem. In the busy season the rates of interest charged by the joint stock banks vary from 9 to  $12\frac{1}{2}$  per cent. according to the standing of the indigenous bankers. Interlending among these shroffs is done at the rate of 0-7-6 per cent. per mensem which is the ordinary deposit rate. The minimum deposit rate for the whole year is about 0-7-6 per cent. per mensem, but in the busy season the rate goes to a maximum of 9 per cent. per annum. Some of these indigenous bankers are able to compete with the joint stock banks on rather advantageous terms, as they have a large amount of current deposits owing to a higher rate of interest they pay on private deposits. There is no prejudice

against indigenous bankers in the city. In my opinion the business of these indigenous bankers is increasing and not decreasing. Internal remittances are made through the Imperial Bank, Telegraphic Transfers and supply bills to the extent of nearly 75 per cent. of the total business in remittance. The Imperial Bank charges 2 pice per cent. to the banks while they charge 0-1-0 per cent. to the private customers.

*Peshawar, the 23rd November 1929.*

**Prof. H. L. Chablani and K. B. Haji Karam Ilahi Sethi interviewed some persons in Peshawar City, and the following is a summary of what was stated at these interviews.**

*L. Duni Chand—money-changer.*

2068. The rate of exchange of Mushadi and Kabuli coins changes every day; sometimes even 8 times during the course of a day. This kind of business goes on at the following places:—Chaman, Quetta, Bannu, D. I. Khan, Kohat, Thall, Parachinar and Peshawar, and we receive telegrams every day from various places. There are about 21 such shops in Peshawar. On an average the business done is about Rs. 20,000 a day. The business increases in the winter season. In winter this business extends to about a lakh of rupees in a day. Sometimes I alone have sold about a lakh of coins.

2069. Kabuli coin varies in value, the minimum being Rs. 36 and maximum Rs. 48 for 100 Kabuli rupee coins. Mashadi rupee coin varies in value between Rs. 41 to Rs. 55 per 100 coins. Not a single Pathan is a money-changer. This business is entirely in the hands of Hindus.

2070. As regards silver market, about 300 *petis* of silver (3,000 tolas) were sent to Kabul year before last. But if silver is not wanted for Kabul, hardly one *peti* is sold in a month. Three *pasas* of gold (80 tolas) are sold every day in the city or about 1,000 *pasas* a year. Now-a-days gold is coming from Kabul and not sent to it. Gold is brought here not through the banks, but by the shroffs, among whom S. Uttam Singh, S. Hara Singh, S. Anup Singh, Messrs. Kishan Chand, Gobind Ram, and Messrs. Sidharam Dunichand may be specially mentioned.

2071. British notes are current even in Kabul.

*S. Uttam Singh—Goldsmith and money-changer.*

2072. About 8,000 tolas of gold in a month are sold in this city. Four or five years ago it was even 30 thousand tolas in a month. Now-a-days not much is got in this city from outside. It is mostly local gold which is bought and sold here. Gold is brought from Kabul in sufficient quantity, but much of the Kabul gold is sold in Amritsar. The condition of the people now is bad and good many of them sell their ornaments. Fifteen years ago gold used to come through the banks. Now-a-days it is brought by shroffs. Gold goes to Kohat mostly from Rawalpindi. To Mardan some part goes from Peshawar and some directly from Bombay. The villages surrounding Peshawar get gold from the city. Silver comes from Bombay. These imports from Bombay are worth about 2 lakhs of rupees annually. Formerly silver used to go from here to Kabul in substantial quantities. Amanullah Khan used to take silver for his mint. Silver used to be purchased to the extent of crores from Peshawar through the Chartered Bank. Silver from here goes to the villages round about, to Mardan and to Swat. In the city gold is sold and most of the silver goes out. Only 5 per cent. of the silver is consumed locally. Ornaments for the mofussil are also



all dealings with the village money-lender and his clients, the agriculturists, as they have no security to offer. (Q. 66).

2077. The Imperial Bank charges 2 pice per cent. for Telegraphic Transfers for remittance on amounts exceeding Rs. 5,000 to merchants, indigenous bankers and to banks, making no distinction whatsoever between them, but for amounts less than Rs. 5,000 the Imperial Bank sells drafts at the rate of 0-2-0 per cent. and our firm does the same. But some of the other firms of indigenous bankers charge about 5 pice per cent. to beat the Imperial Bank. We feel that the Imperial Bank is most unfair in depriving us of all remittance business from big merchants. Some of the shroffs practically gain nothing on the remittance business excepting the use of money for about 4 or 5 days, as they have to pay 2 pice per cent. to the Imperial Bank, two pice per cent. to the broker who sells the *hundi* and 1 pice per cent. for expenses on telegrams; that is in all 5 pice per cent. That is exactly the rate which they charge to their clients for remittance, gaining only the use of the money for four or five days, as the money will be payable after that period in other centres such as Bombay. The joint stock banks and the Imperial Bank have thus destroyed our business in remittance. Where there are no banks, we gain something on remittance, for instance, in Chaman we charge 0-8-0 per cent. on remittance. I suggest that the Imperial Bank either should be prevented from dealing with traders and merchants direct even when they remit more than Rs. 5,000, or they should charge to the traders a little more than the remittance charges for shroffs and bankers, and that the rate of the Imperial Bank for demand drafts for amounts less than Rs. 5,000 should be raised a little more than 0-2-0 per cent.

2078. Money does flow from urban centres to the rural areas and from rural areas to urban centres on a difference of 2 or 3 per cent. in interest rates or in the return on capital. (Q. 68).

2079. In order to extend the use of bills generally the duty on bills should be reduced considerably, approximating very nearly to that on promissory notes; otherwise I see no prospects of *miyadi hundis* coming into use again as extensively as before. (Q. 69).

2080. While in Shikarpur and Bombay the Imperial Bank of India's *hundi* rate fixes the *bazar* rate, in Peshawar it does not, because very few of the shroffs get the *hundis* discounted by the Imperial Bank. Most of them have independent funds of their own and are not influenced by the bank rate.

2081. In my opinion it is quite possible to make this class of indigenous bankers more serviceable to the community by making them the agents of the Imperial Bank on a commission basis for the receipt of deposits and for selling Telegraphic Transfers or demand drafts to the branches of the Imperial Bank on conditions which will ensure adequate safety for the Imperial Bank. (Q. 70).

2082. So far as big shroffs are concerned, a measure like the Punjab Money Lenders' Regulation of Accounts Bill is absolutely unnecessary, because their accounts are always regularly and properly kept, and they do give copies to their clients; but if it is intended that their accounts should be given publicity or that any Government official should have a right to inspect them, the community will strongly oppose such a measure as they do not wish their confidential business to be disclosed to any body. (Q. 74).

2083. I have already said that the Imperial Bank of India is a competitor in our commercial business and therefore no really big shroff or indigenous banker would like to have his *hundis* discounted by it. But in

made here. In Mardan there are some goldsmiths, but the goldsmiths of this place make ornaments even for Mardan people. Silver is now imported here by shroffs and not by the banks. Messrs. Kishandas Gobindram and Sidharam Dunichand are the two leading silver dealers who import silver from Bombay. Gold from Bombay is also imported by these firms.

*L. Naraindas Chelaram—Bankers.*

2073. Our firm is of very old standing. It was established in Peshawar in the days of the Durrani; it has seen the Sikh regime and has continued up to this time. There are about 50 families of Shikarpuris here. There is a shop belonging to Messrs. Ishardas Ramjidas. Messrs. Mathradas Sevaram are commission agents. Most of these Shikarpuris are traders. Our head office is at Amritsar and we have branches at Peshawar, Kohat, Rawalpindi, Bombay and Karachi. In my opinion the business done by indigenous bankers here must be about 5 crores. The shroffs here have very little connection with the village money-lenders, as very little lending is now done by the shroffs to the village money-lenders. We refuse business with the *zumindars* on account of lack of security. We give only *darshani hundis* to the banks for collection and get Telegraphic Transfers but our firm does not endorse the *hundis* for rediscount by the Imperial Bank or any other bank. We keep the *hundis* which are *miyadi* for being turned into cash on due date. Now-a-days after the increase in the rate of stamp duty on *hundis* we use only promissory notes. It gives us a claim to demand money at any time we like, though as a general rule we are ready to accommodate our clients for about 60 days. We consider it rather derogatory to avail ourselves of any facilities from the Imperial Bank. We prefer to transact business within our own resources and not take any further risks. Even before the raising of the stamp duty we used to have a certain number of promissory notes with a view to safety; but the use of promissory notes has become far more general now. I can give you the old forms of *hundis* and receipts that were in use formerly, but now-a-days we adopt the English forms. We lend money either on promissory notes or on account which runs on from day to day. At the end of the year we settle with the man. Sometimes we insist on the account being cleared even much before the close of the year according to the circumstances of the individual and our relations with him. Between 20 per cent. and 25 per cent. of the working capital of the shroffs is their own capital. In my opinion more deposits are with the banks than with the indigenous shroffs. Most of the traders here are Mohammadans and they prefer to keep their deposits mostly in banks. Most of the shroffs do not pay more than 0-7-0 per cent. on deposits, i.e., Rs. 4-11-0 per cent. per annum; but our firm does not accept deposits at more than 3 per cent. per annum. The rate of deposits does not vary. It is generally the same throughout the year except when some shroff is anxious to have money on account of an urgent need, which is rare. Among ourselves the lending rate is Rs. 4-11-0 per cent. per annum.

2074. The indigenous bankers and shroffs enjoy general respect here. (Q. 64).

2075. Neither during the war, nor after, nor on account of the Kabul disturbances, or general depression in trade in 1920, has any of the real indigenous bankers here failed. (Q. 65).

2076. So long as the business is secure and good, the shroffs do not experience any difficulty in meeting demands for accommodation, but as I have said before, owing to the Land Alienation Act we have ceased

*Money-changers and others.*



agriculturists of this district incur debts for the maintenance of themselves, their family and children even in ordinary years. In bad years their debts assume rather horrible proportion. In this district practically all the land owning classes are borrowers, whether large or small.

2092. I would propose that some sort of agricultural banks like the co-operative societies under the effective control of Government should immediately be introduced in this country on a large scale, and they should advance money to agriculturists on the security of landed property on nominal or light interest with a system of re-payment by easy instalments. But it should be first ascertained before advancing loans that they are for useful purposes.

2093. The money-lenders in this district belong to one class only who are usurious local bankers having peculiar tendency and craving for the ruin and destruction of the agricultural classes.

2094. 2. The rate of interest, in this district, in the mofussil is taken in kind in the shape of grain and fodder and is dreadfully high; for instance in the outlying Marwat villages the ordinary rate of interest is one bag of camel load, three pucca maunds, and one *tarangar*, i.e., bullock load of *bhoosa* for Rs. 40 with the usual stipulation that the advance of Rs. 40 is to be admitted by the borrower as a loan of Rs. 80. This penal clause is at once enforced in the event of default of payment of interest or any other quarrel arising between the lender and the borrower. In the towns and other central villages like Lakki, Ghoriwala and Kaki, etc., the rate of interest is never less than 2 per cent. per mensem calculated at compound interest quarterly or half yearly and after the expiry of 2 or 3 years a consolidated fresh bond is taken converting all the previous accumulated interest into principal on which fresh interest is started. If an agricultural borrower happens to own house or shop property in the towns or big villages it easily slips away to the money-lender, otherwise payment of interest with compound interest and in many cases produce of landed property is realized by the usurers with disastrous effect on the resources of the agriculturists. The Punjab Alienation of Land Act has put a sort of check on the designs of the *sahukars* on the landed property of the *zamindars* though in many cases it is acquired by *benami* methods.

2095. 3. The existing legislation and legal procedure practically affords no credit facilities to agriculturists and the borrowers. On the contrary they afford more than ordinary facility to the usurers and money-lenders.

2096. The whole method, I should say, would require overhauling if the amelioration of the condition of the agriculturists is to be considered. The maximum rate of interest with respect to agriculturists should be fixed by legislation which under no circumstances should exceed Re. 1 per cent. per mensem. Interest should never be allowed to exceed half of the principal amount advanced and compound interest should never be allowed and should preferably be penalised. If money is advanced on bonds the previous bonds incorporated into the latter bond should never be allowed to be destroyed so that the Courts may be in a position to trace up the loan to its origin and if the link of bonds is broken and the *sahukar* is found to be concealing the original bonds the courts may form an opinion and make arbitrary reduction to any amount both in principal and interest. The *sahukars* should be required to keep

2118. There is no organised co-ordination among them and the condition may be improved by the construction of metalled roads chiefly for the purpose of transporting agricultural produce to the market. The cultivator pays various charges to various persons if he makes attempts to carry his produce to the market.

2119. 19. Previous to taking the produce to the market he stores it at his house in some room exposed to the ravages of rats, ants and other insects and in the case of larger landed proprietors, in a grain house in a hardly better condition. In the market the produce is stored in a verandah or in the open.

2120. 20. Such things are unknown in this part of the country and therefore no opinion can be offered.

2121. 21. Facilities for marketing agricultural produce do not exist except in cases of those people who have got lands or metalled roads or railway lines. I would prefer metalled roads to every other thing for marketing facilities. Foreign trade of agricultural produce in this country is unknown. It is the monopoly of Ralli Brothers and such like firms.

2122. 22. (a) No such thing is practised here.

(b) No such thing is practised here.

2123. 23. I have no suggestion to make.

2124. 24. No suggestion.

#### D.—LONG PERIOD LOANS FOR AGRICULTURE.

2125. 25. Yes. By *zamindars* and cultivators.

2126. 26. Practically it is very difficult for the big or small land-lords to obtain credit on the security of landed property except for short terms and at exorbitant rate of interest. Tenants always obtain advances from the landlords free of interest on the threat of leaving the holding and the landlord in order to keep his land under a tenant and to avoid its becoming barren would be usually overawed by the tenant and will thus meet his reasonable and sometimes even unreasonable demands. Except in the case of tenants-at-will and in tracts where the fertility of the land is declining and is not much attractive to tenants-at-will.

2127. 27. No, on account of difficulties already set forth above.

Yes, the remedy has already been detailed above.

2128. 28. Rs. 800 to Rs. 1,000 per acre of average sort of irrigated land and Rs. 200 to Rs. 300 per acre of unirrigated land. Land in close vicinity to big towns or brisk markets and trading places are however much more valuable. One to twenty, *i.e.*, 20 years' annual yield is equal to its market value.

(a) In this country-side lands are seldom auctioned for non-payment of revenue.

(b) The sale of land by court decree usually fetches the market value and sometimes something less.

(c) By private negotiation lands fetch almost market value.

2129. 29. 1. Yes. The Land Alienation Act.

2. Yes.

3. No.

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2130. 30. There is no such method in vogue here.

2131. 31. No, none.

2132. 32. Mortgage banks should be established in a manner advantageous to the agriculturists on co-operative lines.

2133. 33 to 37. These institutions do not exist in this district or Province and therefore no effective suggestion can be offered.

#### E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2134. 38. *Gur* manufacture in a primitive and crude form exists only in Peshawar district. Rice milling, cotton-ginning, dairy-farming and sugar refineries are non-existent. Hand spinning is practically eradicated except in small outlying hamlets. Garden produce exists in an appreciable amount in Haripur *tehsil* of the Hazara District, Peshawar and Bannu Districts.

No. Though they require improvements.

Fruit-gardens are usually kept by well-to-do people and they do not sorely stand in need of funds.

2135. 39. Yes, by supplying them with better seeds and plants and by introducing improved and scientific methods of fertilizing the soil for producing better quality of fruits in increased quantity.

2136. 40. Transport facilities and construction of roads are badly needed.

In places where soil is productive and irrigated, fruit planting can be encouraged provided road facilities for transporting fruits exist and co-ordination among the fruit growers can be established for keeping them busy during seasons wherein they cannot work on the farm, *e.g.*, the method of sorting different sorts of fruit seeds and sorting branches for grafting, etc., which can be done indoors. Working capital can be provided by the co-operative credit societies.

#### F.—RURAL CO-OPERATION.

2137. 41 to 46. No co-operative society exists in this district.

2138 47. It is, I think, desirable that financial concessions for stimulating the growth of the co-operative movement should be granted, *e.g.*, by extension of special exemption from income-tax, etc., etc.

#### G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2139. 48. In this district in urban areas the rate of interest is from 12 annas per cent to Rs. 1-9-0 per cent. per mensem and the extent of indebtedness of the trading classes in urban areas is approximately 50 per cent. to 60 per cent. Banking facilities for them exist, *e.g.*, local banks usually advance the money on the security of house or shop property, jewellery and also personal securities.

I have no suggestion to make in this connection

2140. 9. There are local industries in this district, *e.g.*, construction of wooden painted legs of country beds, manufacture of strings for such beds made of fibres which grow spontaneously in the district and also in the hills adjoining the district and other house-hold wooden made utensils and furniture, etc. These industries are however very much dis-organised. They can be made a useful source of income to the people if efforts are made to organise them and if a limited financial assistance is afforded to them.

2141. 51 and 52. Such banks do not exist in Bannu.

2142. 53. It is a fact that the producer, chiefly agricultural in this district, like others in the province, does not get the full value of his produce. The chief cause is his poverty and the major portion is drained off in many cases leaving him quite destitute and almost starving. The more fortunate is left with bare subsistence and such producer who is left with any amount of his produce to sell is compelled to sell it immediately to local *banias* at ridiculously cheap rates or to the agents of traders who come for buying from outlying places. Almost invariably the producer is ignorant of the market rates and on account of his immediate pressing financial necessities he feels himself constrained to sell at the rate offered by the buyer without having any time even to enquire about the current rate of the commodity.

2143. The only remedy for this evil is to find means for ameliorating the condition of the agricultural producer by affording him timely financial assistance by the establishment of co-operative credit societies and agricultural banks and getting sufficient budget provisions from Government for *takavi* advances with a low rate of interest and gradual repayments by easy instalments, as already suggested in answers to foregoing questions. Also by constructing metalled road to all fertile areas chiefly for the purpose of transporting agricultural produce to the market places and of establishing schools imparting agricultural education and forming societies which should be in receipt of news about rates current in all places of importance and the central market places in the district and in the province.

#### H.—TRANSBORDER TRADE.

2144. 54. There are two sorts of trade in this district with transborder people, *i.e.*, of Afghanistan and the Tribal Territorial. Traders from Afghanistan bring *ghee*, dry fruits of various kinds, *hing* (*asafoetida*) and wool, and take away salt and various sorts of piece-goods. To a limited extent they also bring a number of horses to this district. The transborder territory people export timber in various shapes, *mazri* fibres for ropes and mattings, charcoal and some live-stock chiefly sheep and import into their hills salt, piece-goods and spices, etc. All this trade, both with Afghanistan and the transborder tribes, is conducted usually on cash payments. The transborder people and the people from Afghanistan seldom borrow money on interest and they are generally well-off, though their trade is not an organised one.

#### I.—INDIGENOUS BANKER AND MONEYLENDER.

2145. 55. Hindu *banias* practise money-lending in this district.

2146. 56. It has already been dealt with in answers to previous question regarding the money-lending *sahukars*.

2147. In the mofussil the money-lenders combine grain and piece-goods shops with their primary business of money-lending. In towns they sometimes carry on shops of piece-goods or the business of commission agents but mostly they carry on only money-lending business.

2148. 57. They prey only on agriculturists in the manner already detailed and seldom assist in trade or industry and do not invest in industrial shares or keep bank deposits with industrial concerns.

2149. 58. (a) The amount of capital invested by the indigenous bankers cannot definitely be determined.

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(b) The volume of their business is usually composed of small sums advanced at exorbitant rates of interest.

(c) Their expenses are very small and their frugality and niggardliness is proverbial.

(d) The village money-lender usually obtains money from the town bankers on ordinary rates of interest. The Imperial Bank of India or other banking companies have nothing to do with the village money-lenders.

(e) None officially.

2150. 59. I have no personal knowledge of these things.

2151. 60. The answer to this question has already been dealt with in connection with the method of advancing money by the *sahukars* to agriculturists.

2152. 61. The village money-lenders in the event of necessity replenish their funds by borrowing on comparatively light rate of interest from the urban bankers. The town bankers mostly advance money to the trade community in the town on the personal security and also to bigger *zamindars* in the mofussil on the security of any property which they happen to have got in the towns or on jewellery but very seldom on personal security or on the security of landed property. There are no big shroffs at Bannu.

Such estimate is very difficult to form nor can I indicate any means for forming any estimate of the extent of such deposits.

2153. 62. The village money-lenders never receive any deposits as the agriculturists are too poor to make such deposits. The rate of interest on deposits in the towns with the urban bankers varies from 5 annas to 8 annas per cent. per mensem.

Yes. Rates rise in winter season when the trade is brisk and fall in summer when the trade becomes dull.

2154. *Sahukara* rate of interest ranges from 0-12-0 per cent. per mensem to 1-4-0 per cent. per mensem.

2155. 63. This has already been dealt with in answers to questions under this head.

Yes, provided the Government introduce agricultural education on a liberal scale in the mofussil and also improved agricultural implements and train the people in their use.

2156. 64. The indigenous money-lenders are very much hated chiefly by the agriculturists on account of the harsh treatment meted out by the former to the latter.

Their dealings are not at all on sound lines. There are attempts to defraud and loot and the remedies are those already set forth regarding ameliorating the condition of the agriculturists.

2157. 65. The margin of profit to the money-lenders is very large after deducting expenses of management, etc.

2158. I do not know of any instance in which an indigenous money-lender dealing with the agriculturist has failed since 1920. Their business is increasing.

2159. 66. The indigenous bankers usually decline a sufficient percentage of demands chiefly for the purpose of imposing more exorbitant and higher rates of interest than offered and sometimes on account of the customer being unreliable and in a very few cases for lack of funds.

2160. 67. (a) Chiefly *hundis*.

(b) Supply Bills are used for remittance of money to big commercial centres like Calcutta, Bombay, Lahore, etc.

(c) No.

(d) Can offer no suggestion.

2161. 71. (1) Yes.

(2) Yes.

2162. 72. Yes, they can be made more serviceable to the community by the introduction of agricultural banks, co-operative credit societies and by Government distributing *takavi* loans freely and in sufficient amounts. In that event they too for the sake of competition will lower their rates and will feel compelled to have resort to fair play and then they will be quite useful to the community.

I can't say.

Only when the Government is convinced of their honest mentality.

No.

73. The suggestions have already been made in answer to question No. 72.

74. They will oppose it bitterly.

75. No.

#### J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

2163. 79. Practically none.

2164. 80. There is none.

2165. 81. (a) The utmost which the agriculturists can do is to make silver and gold ornaments for their wives on the occasion of marriage which are soon after mortgaged to the *bania* as security for loan and are then devoured by the interest.

(b) No correct estimate can be made.

(c) I know of no hoarding among the agriculturists as they have nothing to hoard. The traders and money-lenders cannot afford to do so as they require money for their business.

(d) No.

2166. 82. (a) No.

(b) They seldom have surplus money,

(c) There are no such societies, etc., in this district.

2167. 83. (a) Very seldom, as they have not got money to lend to others.

(b) In a prosperous year, if some lucky persons happen to have a surplus it is spent in the construction or repairs of his house and in solemnizing marriage and sometimes in acquisition of landed property.

(c) The capital is not growing among the indigenous population but on the contrary their indebtedness increases day by day.

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2168. 86. (1) No.

(2) Can offer no suggestion.

(3) I do not know.

(4) Perhaps people in the towns.

2169. 87. I do not know.

2170. 88. I do not know.

2171. 89. No.

2172. 92. Yes, by educating the people.

2173. 93. I do not know.

2174. 94. The local banks and the money-lending communities are the only banking resources which are inadequate.

2175. 95. The branches should be in Lakki, Ghoriwala, Pezu and the Imperial Bank in Bannu.

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**Khan Sahib NAWABZADA MOHAMMED NASIR KHAN, District Judge, Dera Ismail Khan.**

2176. I shall deal only with those questions; which concern the District of Dera Ismail Khan.

A.

2177. 1. It is not practicable to reach an accurate estimate of the existing indebtedness of agricultural classes. If it be required to arrive at such an estimate, then a special enquiry should be instituted in this respect at the time of Revenue Settlement. Among the purposes for which debt is incurred, the following may be mentioned:—

(a) Marriage and other social occasions. In my opinion this forms the major portion of debts.

(b) Seed and manure and cattle.

(c) Litigation.

(d) Famine and other kinds of distress.

Generally a land holder does not incur debts for any constructive work or education of children. All land-holders, whether small or great, are in debt. Unless some sort of special reform is introduced among the agriculturists and education in the right sense is spread, no one can check the borrowing tendencies of the land-holders.

2178. 2. Generally the rates of interest are very high. In this district the contract rate is usually 2 per cent. per month.

Recourse to courts of law is the usual method of realisation.

2179. 3. The Alienation of Land Act has much decreased the credit facilities of the agriculturists. In the present circumstances when ignorance is prevailing among the agriculturists I do not think that increase of credit facilities would help them.

2180. 4. I must say "Yes" to this question.

2181. 5. I think to some extent the proprietors of land are becoming mere tenants, but the evil in this district is not widespread.

2182. 6. To my mind this process ought to be checked by legislation and it should be enacted that a man, who actually cultivates with his own hands, should not be allowed to sell his land to a man, who does not cultivate with his own hands except under special circumstances and with the sanction of the Collector.

2183. 7. It is not customary for the *zamindar* money-lenders to accept service in lieu of interest, because they generally take land as security for debt and realise its produce as interest.

2184. 9. I do not think that the Usurious Loans Act is being availed of in our province to any appreciable degree. Much depends on the sympathetic attitude of the courts.

2185. 10. I would strongly recommend legislation, which should make it compulsory for money-lenders to keep and regulate accounts in a specific manner and I hope that this would ensure fair transactions between the money-lenders and the agriculturists.

2186. 11. There are no village arbitration boards or *panchayats* in the N. W. F. Province.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2187. 12. The common practice for a *zamindar*, unless he is very rich, is to obtain his finance by borrowing. That is a normal feature of agricultural life. In Dera Ismail Khan there is no Imperial Bank. The *zamindars* generally do not go to other banks. In fact the banks do not trust them. It is the petty money-lender, who advances money at high rates of interest, which extends from 1 to 8 per cent. to a *zamindar*.

2188. 13. The cultivator is very fond of borrowing *takavi*, but generally the *takavi* budget is very small and cannot meet the requirements of the agricultural community.

2189. 14. There is no co-ordination between Government and other crediting agencies, nor is there any likelihood of any improvement in this direction.

#### C.—FINANCE FOR MARKETING.

2190. 17. Generally every big village is a market place for selling grain. Big centres in Dera Ismail Khan District are very few. The City of Dera Ismail Khan is the biggest centre.

2191. 18. Banks play no part in this district as far as the process of marketing is concerned. Money-lenders attend the harvesting and realise their debts by taking a lion's share of the crops, which they store up and resell to the agriculturists at high rates in time of need.

2192. 19. It is only the big *zamindar*, who can afford to store the grain, which if stored, does afford a security for obtaining credit.

2193. 20. I do not think that time has come for making warehouses on the lines of the system which exists in the United States of America or elsewhere.

2194. 22. The question does not arise in Dera Ismail Khan District.

2195. 23. There is only small produce of grain in Dera Ismail Khan District hence there are practically no possibilities of co-operative efforts in transporting and marketing of produce.

2196. 24. The question does not arise in Dera Ismail Khan District.

*Nawabzada Mohd. Nasir Khan.*



## D.—LONG PERIOD LOANS AND AGRICULTURE.

2197. 25. As a general rule a landholder is very fond of obtaining a long term loan. But he never employs the money thus obtained in any useful or productive agricultural work. Hence the larger the term of the loan, the greater would be the ruin of the land-holder on account of the accumulation of interest.

2198. 26. Money-lenders do not like to advance long term loans, but in a way they too exchange them. Three years is the time prescribed for bringing suit for the recovery of loan. A money-lender is well pleased if the debtor executes a new bond for principal and interest and takes another span of three years. This process is repeated again after three years till the last drop of blood of the poor landholder is sucked out. A mere tenant has practically no credit in the market. He can obtain loans only for petty sums.

2199. 27. As already stated the agriculturists run after obtaining *takavi*. The system is working well. The only complaint is that enough money is not given by the Government.

2200. 28. In Dera Ismail Khan District the value of land differs according to the soil and sources of irrigation from Rs. 20 per acre to Rs. 200 per acre. The average annual yield is generally very small and may be placed at 1/70 of the value of the land. Lands are very seldom sold by Government for non-payment of revenue. Sale by court decree is forbidden under the Alienation of Land Act.

2201. 29. The Act mentioned above, is a legal impediment to mortgage of agricultural holding in my province. It has an adverse effect on the agriculturists' capacity to borrow capital for long periods. I do not suggest the modification of the existing law, because I am of opinion that but for this law the landholders would have been reduced to mere labourers under the money-lending class.

2202. 30. The question does not arise in Dera Ismail Khan District.

2203. 31. The answer is "No".

2204. 32. The North West Frontier Province is not ripe for the creation of any institutions like the mortgage banks.

2205. 33. The question does not arise in view of my above answer.

2206. 34. The question does not arise in view of my above answer.

2207. 35. The question does not arise in view of my above answer.

2208. 36. The question does not arise in view of my above answer.

2209. 37. In the present constitution of society, I am not in favour of long term credit, because that would ruin the landholders.

## E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2210. 38. Industries such as mentioned in the question are very few and are entirely in the hands of the money-lending class. I do not think if any landholder has got in his control any such industry even as a matter of exception. This is due to lack of initiative, which is in its turn due to lack of education.

2210(a). 39. The question of encouragement does not arise, because there is nothing to be encouraged.

2211. 40. Dera Ismail Khan does not so much stand in need of facilities for transport as it does of irrigation. If the Government can devise some method of improved irrigation, we may then be called upon to give our opinion regarding subsidiary things, at present it is quite premature.

#### F.—RURAL CO-OPERATION.

2212. 41. Co-operative societies have hardly been introduced in the District of Dera Ismail Khan. We do see an Inspector of Co-operative

2213. 42. The movement is quite in its infancy. It is not even showing any signs of life. My view is that other banks, which are entirely in the hands of the money-lending class, will not look upon the co-operative banks with favour.

2214. 43 to 47. Do not arise in view of the remarks made above.

#### G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2215. 48. The rate of interest is increasing even in urban areas. The tendency of the money-lenders is to insist on security of immoveable or moveable property. Banks do exist but the conditions on which they advance money are very stringent.

2216. 49. In the town of Dera Ismail Khan there are certain mills which are independent of agriculture but their condition is not improving. Their needs are immense and I do not think the Government is at present in a position to give them any help.

2217. 50. Co-operation has at present got nothing to do with the needs of the small trade. As I have already said the movement is quite in its infancy and nothing can be predicted regarding its future possibilities.

2218. 51. Let the co-operative movement at present confine its attention to the uplift of the rural areas. Time has not come for it to divert its activities to urban areas also.

2219. 52. This question relates to trade statistics and need not be tackled by me.

2220. 53. This question relates to trade statistics and need not be tackled by me.

#### H.—TRANSBORDER TRADE.

2221. 54. The existing system of trade with transborder is that *Pawandas* come yearly from Afghanistan and bring the raw products of that country with them. They go back after 6 months and take away some manufactures of India. All the traders, whether small or big earn their livelihood through *Pawandas*. This may be said generally about Dera Ismail Khan.

2222. The *Pawandas* also borrow money at Dera Ismail Khan at high rates of interest. Generally every trader in Dera Ismail Khan has got something to do with *Pawandas*. *Bhatia* community are the specialists in this business. The system is working well to the satisfaction of all concerned and it would not serve any useful purpose to interfere with it.

*Nawabzada Mohd. Nasir Khan.*

## I.—INDUSTRIES, BANKERS AND MONEY-LENDERS.

2223. 55. Every Hindu is a potential money-lender. He either lives by money-lending or supplements his income by it.
2224. 56. There are very few people who do money-lending and nothing more. Most of the money-lenders do other trade also.
2225. 57. Yes. Money-lender finances agriculture and tries to do all or most kinds of business, mentioned in the question.
2226. 58 to 78 are technical questions, relating to pure business.

## J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

2227. 79. As a rule an average agriculturist in the district of Dera Ismail Khan is able to make two ends meet with great difficulty. He cannot even dream of having any surplus income.
2228. 80. Does not arise in view of the above answer.
2229. 81. Agriculturists do invest in silver and gold. They would do so even by incurring debts. Old agriculturists had a tendency to hoard wealth but the modern agriculturists are very spend thrift and cannot accumulate anything.
2230. 82. An agriculturist would spend the money he gets on necessities of agriculture and on marriage and cognate ceremonies. He would keep his money with money-lenders of his own village or of the nearest town but being a Muslim, he would not charge any interest. He would trust his money-lender and would not take the precaution of taking a receipt from him. Hindus as a class are traders and do use and keep their money quite safe. Banks are run and used almost entirely by Hindus or only those Muslims, who have some sort of education. Agriculturists do not as a class go to banks. Insurance companies are as yet unknown to agriculturists but they are now being frequently utilised by the urban people. As far as I know there are no provident societies for the general public here. Certain Government departments have got provident funds. Co-operative societies, as has been repeatedly pointed out, have hardly begun. I am of opinion that the *zamindars* highly appreciate these societies.
2231. 83. Farmers very seldom lend money to fellow agriculturists but they usually secure mortgages of lands and take produce in lieu of interest. Of late a small class has grown up among agriculturists which lends money on very high rates of interest but this class is looked down upon by the general agricultural community.
2232. 84. I have not as yet noticed any effect of the abolition of the stamp duty on cheques in Dera Ismail Khan.
2233. 85. Spread of education would be the best incentive for having recourse to banks and other cognate institutions.
2234. 86. Postal Cash Certificates are not popular because they carry very little interest. Nothing but a high rate of interest will induce people to take Postal certificates.
- 2235 92. Government can do useful propaganda work through its revenue authorities.

**Rai Sahib LALA SHAM LAL, P.C.S., Income-tax Officer,  
Peshawar.**

2236. 51. Peshawar District supplies piece-goods, tea, hardware, groceries, brass and copper sheets, cement and other sundries to trans-border territory, while in return it receives furs, carpets and dried fruits from Afghanistan. As a general rule the trader, in Trans-border territory writes to the commission agent in Peshawar for supply of the goods required by him. These are sent to him from here by lorries, camels, ponies etc. The common rate of commission charged is 1 per cent. In addition to it the commission agent charges interest varying from 6 to 10 per cent. per annum from the date the goods are despatched. As a rule a Mohanumadan commission agent does not charge any interest but presses for cash payment for the goods supplied. The commission agent of course charges the trader concerned all the expenses incurred by him in the transmission of the goods. It is believed that in charging these expenses he gets a saving of from 2 to 4 annas per cent. on the value of goods supplied. Every well-to-do commission agent keeps a stock of the goods which he is generally required to supply. He charges the price at market rates and thus in addition to the commission and interest charged is also able to secure a profit between the cost and the market price. As regards furs these are generally brought by the Afghan traders to Peshawar for sale but some are also sent to the commission agent for disposal. The rate of commission charged here again is 1 per cent.

2237. As to dried fruits these are sent through Caravans which come to Peshawar once a week in summer and twice a week in winter. These are handed to weighmen, locally called *dharwais*, who in turn sell them to import and export agents. The commission charged by them varies from fruit to fruit.

2238. The general complaint of the commission agent is that owing to the absence of facilities for recovery of their debts in trans-border territory a considerable number of them become bad. The payment by the trader in transborder countries to the commission agent in Peshawar is generally made by means of *hundis*. This is done in the following manner:—

An Afghan trader who brings furs to Peshawar has to take the sale-proceeds to Afghanistan. He deposits the money with a commission agent here who gives him a *hundi* on a trader in Afghanistan with whom he has dealings. Or if a trader has to go to Afghanistan for purchase of furs he leaves the money with a commission agent here who gives him the necessary *hundi* to receive the money in Afghanistan.

2239. 55. The banking and money-lending business in the district is in the hands of the Hindus though a few well-to-do Mohammadans also practise the vocation on a large scale.

2240. 56. There are very few money-lenders and bankers in this district who live exclusively on this income. As a rule he combines other business with this business.

2241. 57. A banker and money-lender in Peshawar city generally gives loans to the trader, while the money-lender in rural areas advances loans to the agriculturist. None of them, to the best of my knowledge, are known to be keeping bank deposits with any of the industrial concerns to any appreciable degree.

*L. Sham Lal.*

2242. 53. It is very difficult to frame an estimate of the amount of capital invested on interest in the district but roughly speaking the capital so invested in Peshawar city may be taken at about 80 lakhs. The relationship between the village money-lender and town banker and those of various kinds of bankers in the city is known to be very harmonious.

2243. 59 and 60. The system of lending money on interest in Peshawar from banker to the trader is by means of pro-notes. It is seldom that a *hundi* is used. But when a city banker lends money to a village money-lender it is mostly on the basis of stamped deeds. The rate of interest charged for a loan made by a banker to a trader on the basis of pro-note varies from 6 to 9 per cent., while the rate of interest advanced on the security of property is generally 9 per cent.

2244. 61. The town banker when in need of money generally secures it from other bankers on pro-notes while a village money-lender in need of money secures the same from a town banker by means of a stamped deed.

2245. 62. The rate of interest generally allowed by a banker on the deposits received by him are as follows:—

(a) For whole year deposits, 0-7-0 to 0-8-0 per mensem per cent.

(b) For summer deposits, 0-6-0 to 0-7-0 per mensem per cent.

(c) For winter deposits, 0-8-0 to 0-10-0 per mensem per cent.

About the same rate of interest is charged by one indigenous banker to another.

2246. The tea (green) which is consumed in Peshawar and is exported from here to Kabul is as a rule imported from Shanghai. Of late a practice has sprung up that the dealers in tea, who are generally Mohammadans, raise the money required for payment of the cost of tea from *sahukars* in Peshawar and pay a sum of Rs. 12 per cent. per annum on the amount raised to the *sahukar*. The amount so paid is recorded in their books as a part of profit but as a matter of fact it is interest pure and simple. The word "profit" is used because both the receipt and payment of interest is considered as unlawful by the Mussalmans. For this very reason the dealers, it is said, do not want to raise the money on pro-notes. The *sahukar* in this way is able to get an interest of 12 per cent. per annum on the amount advanced by him.

2247. 63. The rate of interest charged by a banker from an agriculturist varies from 1 to 2 per cent. per mensem. This rate can be brought down if the creditor is assured of the security of his money.

2248. 64. Yes, the reduction of the rate of interest will be beneficial to the agriculturist community.

2249. 65. Net return in the case of city banker and money-lender is 9 per cent. and in the case of village money-lender, 12 per cent.

The money-lending business in rural areas is generally believed to be declining.

2250. 66. The bankers and money-lenders sometimes, though not generally, are obliged to refuse demands either for insufficiency of security offered or that of their working capital.

2251. 69. A good amount of money in the hands of the bankers does not find employment during the months of summer and has to be deposited by them in banks on fixed deposits for summer months on lenient rates of interest.

**Mr. J. ALMOND, I.C.S., Divisional and Sessions Judge, Peshawar Division, Peshawar.**

2252. 1. Debts among agriculturists arise mostly from—

(b) marriage and other social occasions; this forms the greatest source of debt.

(c) failure of crops,

(e) growth of debt by compound interest,

(f) advances for seed (this is generally repaid in kind when the harvest is reaped), and

(j) litigation.

2253. Persons owning less than an economic holding form the majority of borrowers, but a considerable number of *Khans* owning very large estates fall into debt owing to personal extravagance and inordinate entertaining.

2254. I oppose any measures for limiting borrowing for wasteful and unproductive purposes as it would impose a limit on freedom of contract. Nor do I suggest any method of encouraging borrowing for productive purposes: it should be left to the individual to accumulate wealth for the purpose.

2255. The debt is almost entirely due to professional money-lenders.

2256. 2. Rates of interest vary from Rs. 1 per cent. per mensem to Rs. 3-2-0 per cent. per mensem. Interest is usually allowed to accumulate as simple interest till the period of limitation for bringing a suit is about to expire and then a fresh agreement is entered into by which the accumulated interest is added to the original principal. Accumulations continue in this way as long as, and some times far longer than the debtor has sufficient security for meeting the debt.

2257. 3. Credit facilities are restricted by the Land Alienation Act, which prevents the land of an agriculturist from being sold under a decree. I consider that increased facility for credit would merely lead to increased indebtedness. I understand that the co-operative movement has been started in parts of the province, but am unaware what progress it has made.

2258. 4. (a) Only to a very limited extent,

(b) Not at all, owing to the Land Alienation Act.

2259. 7. I do not think the *zamindar* money-lender exists in this Province to a great extent.

2260. 10. I would suggest that money-lenders be required to keep their accounts in a language which an ordinary literate person can understand. Virtually no one understands the language in which they are now kept except the money-lenders themselves.

2261. 11. Not as far as I am aware.

2262. 29. Restrictions are only imposed on mortgages to non-agriculturists under the Land Alienation Act. I do not think the average *zamindar* borrows money for long periods to effect improvements.

2263. 55. The village money-lender is usually the village shopkeeper as well.

2264. 65. I have never come across a case of failure.

*Mr. J. Almond.*



2277. 8. Advances in cash and in kind are offered and accepted at exorbitant rates of interest on the condition of half yearly payments at the harvest time which draws the people of small means to poverty and the final deprivation of their property.

2278. 9. It is an impossible task for the debtors to comply with the provisions of the Usurious Loans Act, hence it has not been availed of in this Province owing to lack of proper check over the money-lenders' account books. There should be some statute authorising competent Government officials to check their accounts according to the books kept by banking company. In the present circumstances nobody can check the money-lenders' accounts.

2279. 10. Yes; certainly, both parties should be warned and legislation enforced.

2280. 11. The reply is in the negative as far as this question relates to this province.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2281. 12. *Takavi* loans from Government are obtained by filing application for its grant.

Private loans from money-lenders are obtained by means of documents drawn between the parties.

(a) Small cultivators, (b) Owner of about hundred acres of land, and (c) few large land holders avail themselves of both the system of loans mentioned above. The amount of loans raised depends upon the financial status of the borrower. The Government *takavi* loans for seed carry no interest. The rates of interest for advances to (a), (b) and (c) are the same as given above, *vide* answer to question No. 2. The periods of loans in these cases are small.

2282. The agriculturists in this province do not raise loans on the security of standing crops but they do so on that of house-property and ornaments.

2283. Short periods and speedy payment of loans are sufficient causes for the reduction to be made in the rates of interest. The rates of interest mentioned above are of course very high. Different rates of interest are of course charged for cash advances and loans in kind.

2284. 13. The cultivator of course wishes to borrow *takavi* freely but he is not allowed to do so. The officers in charge do not freely give him as much amount of *takavi* as he really wants. The agriculturists may be encouraged to take *takavi*, as much as they need, at moderate rates of interest with sufficient length of period allowed for repayment.

2285. 14. No co-ordination is found amongst the various credit agencies and improvement should therefore be made in this direction.

2286. 15. The benign Government should freely give pecuniary assistance. Good implements and seed, etc., should also be supplied.

2287. 16. The estimate depends upon the quality of the soil of the land under cultivation and the state of its irrigation in each village, *tehsil*, etc.

#### C.—FINANCE FOR MARKETING.

2288. 17. Peshawar, Mardan, Haripur, Lakki, Bannu and Dera Ismail Khan are the chief markets in this province.

The principal crops are brought to markets on camels, bullocks, carts, donkeys, etc., after the harvest is over. The big landlords accumulate grain in store-houses, and take it to the market for

*Khan Sahib Altaf Hussain.*



sale when the rates are profitable. The grain when brought to the market and weighed by the weighman is made over to the purchaser after deducting all the dues. The *dharwai* keeps the account. The owner of the grain has to pay conveyance, weighing and *dharwai* charges and also for dirt admixtures, etc. All the traders have their dealings through lanks by means of *hundis*, etc., and transport the grain to agents or grain dealers in other countries by railways and ships, etc.

2289. Yes, these banks co-ordinate with each other and the improvement in this direction can be effected by the increase in the number thereof.

2290. The grain stored by the big *zamindars* is seldom used as security for obtaining credit.

2291. 20. Licensed warehouses will help a lot and Government should assist in the matter.

2292. 22. Railway receipts, *hundis* and cheques, etc., are generally employed for raising the money during the process of marketing.

Yes, security should be enforced.

2293. 23. Mutual good-will and sympathy must exist amongst the various dealers.

2294. 24. Duty may be reduced on the different kinds of instruments given in question No. 22.

#### D.—LONG PERIOD LOANS FOR AGRICULTURISTS.

2295. 25. The reply is in the affirmative.

2296. 26. Such loans are obtainable according to the financial position of the borrower.

2297. 27. *Vide* answers to questions Nos. 12 and 13.

2298. 28. Irrigated land, average value per acre, is between Rs. 400 and Rs. 500. Annual yield is different for different crops and annual lease money is Rs. 30 in Peshawar Tehsil. Unirrigated land—average value per acre is between Rs. 150 and Rs. 200. Annual yield is different for different crops and annual lease money is Rs. 20 in Peshawar Tehsil.

2299. 29. Yes (Land Alienation Act)—Modifications seem necessary, 20 years period may be extended to greater limit.

2300. 30. and 31. No mortgage bank exists in this province.

2301. 32. (a) These institutions may be started under the direct control of land-lords and big *zamindars*.

(b) The rate of share should be very low so that it may be accessible to even a middle class *zamindar*.

(c) The Government should finance.

(d) Period should be sufficiently long.

The quality of land will be the basis of the limit of loan.

(e) to (h). Reply is in the affirmative.

2302. 34. The average for five years of sale value of land in the same area will give the value of land.

2303. 35. The land itself is sufficient security.

2304. 36. (a) and (b). Some legislation may be introduced whereby the banks may have certain facilities.

(c) Reduction is essential.

2305. 37. This question has already been discussed.

## E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2306. 38, 39 and 40. *Gur*-making and garden produce are the only two flourishing industries in this province. Rice-milling and hand-spinning exist on a very small scale. Better results can be expected if industries in question be financed by the Government and the subscriptions from the people of the *ilaga*. The Government must have sufficient area of land wherein the Farms should be maintained on the income accruing therefrom and the Government aid.

## F.—RURAL CO-OPERATION.

2307. 41. Practically none exists in this province except in Hazara. The Hazara Central Co-operative Credit Society receives deposits.

2308. 42. No co-operative banks, hence no relationship.

2309. 43. The Hazara Central Co-operative Credit Society should lend money to the agriculturists.

2310. 44. The Hazara agricultural village co-operative societies have proved very useful and such co-operative societies will be helpful if they be started in the province on a large scale.

2311. 45. The amount of capital required depends upon the financial status of the public of the *ilaga*.

2312. 46. Actually speaking, none.

2313. 47. It will be much useful if financial concessions are given.

## G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2314. 48. The rate of interest among the urban classes is much less than that amongst the agricultural ones. Few classes of urban communities are in debt. The number of banks should be increased.

2315. 49. Manufacture of country-made shoes *chaplis*, *lungis*, *Kullas* (Kabuli caps) *mazri pankhas*, mattings and *kashida* (embroidery work) are the local industries in this province. They may be controlled by firms and financed by Government.

2316. 50. Such co-operative movement will be very useful but none exists in this province.

2317. 51. A spirit of the co-operative movement should be introduced among the urban classes and the local industries encouraged.

2318. 52. The trade of this province is mainly with Afghanistan and transactions are conducted through private funds.

2319. 53. Speculations should be discouraged. No such instance is in vogue in this province because the produce is not on an extensive scale.

## H.—TRANSBORDER TRADE.

2320. 54. Ordinary trading system based on the mutual good-will of the dealers is prevalent. Trade is carried on with private funds and no extraneous help is available. There are no special concessions in the rates of interest. Duties are also paid for the merchandise. There is no security for the safe transmission of the merchandise. Proper arrangements by the Government in this respect are necessary. States should have some negotiations among themselves.

*Khan Sahib Altaf Hussain.*

## I.—INDIGENOUS BANKERS AND MONEY-LENDERS.

2321. 55. Mostly Hindus.

2322. 56. Some are exclusively confined to money-lending. Others deal in trade articles as well. Both money-lending and other business are carried on jointly. About 30 per cent. in urban classes are mainly living on money-lending.

2323. 57. Money-lenders do not adequately finance the agriculturists. Trade and industry are helped by them. They do not invest in industrial shares, etc.

2324. 58. There is no systematic indigenous banking and hence no organisation.

2325. 62. About Rs. 6 per cent. per annum is the rate of interest paid to the depositors.

Yes, the rates vary in different seasons. The *sahukara* rate of interest is Rs. 6 per cent. per annum and in some cases less.

2326. 63. Very exorbitant rates of interest prevail ranging between eight annas to Rs. 3-2-0 per cent. per mensem. Some legislation should be enforced fixing the standard rate.

The reduction of such rates would greatly benefit agriculturists, etc.

2327. 65. The money-lenders and the business bankers are well off.

2328. 67. Banks, post offices and supply bills are useful.

## J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

2329. 79. Truly speaking, none.

2330. 80. Practically speaking there are no actual capital savings as a whole with any individual *zamindar* who is wholly and solely living on the income from his landed property.

2331. 81. The habit of hoarding or investment of money in silver and gold is decreasing day by day for the reason that living is becoming more expensive owing to improvements in refinement amongst the people and the dearth of the necessities, edibles and clothing, etc.

2332. 82. The agriculturists pay off Government dues and their debts as well to some extent. They also purchase bullocks, seed, and spend the surplus in buying other domestic requirements and lands, etc., as their financial conditions allow them. These institutions have made no effect on the rural areas.

2333. 83. No, and if they make any advance this is done on very stringent conditions.

2334. 84. In order to facilitate the use of cheques it would be better if the accounts and cheques be kept in the local vernacular prevailing.

2335. 85. Yes, because there is no profitable trade and commerce in its genuine state in India.

2336. 86. As the rate of interest has been decreased in 1926 the postal cash certificates have lost their popularity. Their popularity depends on the further increase in the rate of interest. Terms of issue require amendments. Post office savings banks do not sufficiently afford all possible facilities. Officials resort to such investments because they have very small savings. To attract other classes as well it is very necessary to increase the rate of interest, say, Rs. 6 per cent. per annum and that the number of the sub-post offices be also increased.

2337. 91. In this part of the country securities other than the Government are not available.
2338. 92. The Government should increase the rate of interest on the loans given to Government for big undertakings.
2339. 95. Experiments about these institutions should be made in big villages.

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**Mr. MOHAMMAD NAWAZ KHAN, Assistant Political Officer,  
Orakzai, Hangu.**

A.—AGRICULTURAL INDEBTEDNESS.

2340. 1. An estimate of the existing indebtedness of agricultural classes can be obtained from (a) offices of the Sub-Registrars, (b) offices of the *sadar kanungos*, (c) banks, (d) bankers and (e) small money-lenders to agricultural classes without registration and mutation of lands, pro-note, mortgage of house or ornaments or other assets or some personal joint security, and all these debts can be found out from the above mentioned sources. Such an estimate of indebtedness must be 90 per cent. accurate 55 per cent. would be (a) class indebtedness, 15 per cent. would be (b) class indebtedness, and 30 per cent. would be (c) class indebtedness.

2341. The main purposes for which the debt is incurred in this province are (a) death and marriage and other social occasions, (b) growth of the debt by compound interest, (c) litigations, (d) failure of crops owing to drought, locusts or hail-stones, etc. Borrowers are generally persons who own more than an economic holding and they constitute about 75 per cent. of the persons in debt. Persons owning less than an economic holding are not generally trusted and if they borrow on the mortgage of some assets, then they try their level best to clear the debts by dint of labour and economy. Borrowing for wasteful purposes can be limited by introducing social reforms and education among the classes.

2342. Borrowing for productive purposes can be encouraged, firstly by demonstration of the purpose that it is actually useful and productive, and secondly by provision of the ready, prompt and easily accessible means and sources of loans on small interest on easy instalment for repayment. The debt is largely due to indigenous bankers and professional money-lenders.

2343. 2. Rate of interest varies according to the means, income, property and need of the borrowers and to the sum borrowed. Generally the rate of interest charged is 1 per cent. per mensem in this province, but the indigenous bankers charge from Rs. 1-9-0 to Rs. 2-8-0 per cent. per mensem, while there are cases in which professional money-lenders have advanced money at Rs. 3 to Rs. 6 per cent. per mensem. The interest is calculated after 3, and in some cases after 6, months, and if not paid in cash it is added to the capital, and thus compound interest is charged. Any expenses incurred by such renewal of loans is also added to the sum against the debtors. In the new year's account the debt is not shown as an old debt, but it is calculated by the method of compound interest *plus* contingent charges, and it is shown as a new debt paid quite independently on the first day of the year, and therefore, while going to the court the suit is brought on the strength of this new entry

*Mr. Mohd. Nawaz Khan.*

making it quite impossible for the court to find out how much is the capital, how much has been received by the money-lender, what is the proportion of the interest to the capital, and what is the amount still due. There are instances where ten times the loan has been received by a money-lender, yet he has to realize more. Decrees, attachments and auctions are the methods of money-lenders for the enforcement of the re-payment of debts.

2344. 3. Existing legislation and legal procedure has done much for the credit facilities of agricultural classes. Further improvement can be made by—

- (a) Introducing money-lenders bill in this province,
- (b) Introducing Usurious Loans Act—the amount realised by the money-lenders must not be double of the sum actually advanced, and
- (c) Prohibition of the attachment or sale of land in payment of debt, the land being leased in satisfaction of the debt.

2345. 4. Yes.

2346. 5. Yes.

2347. 6. Yes. Land Alienation Act has done, much in this respect, and 75 per cent. holdings are safeguarded, but more legislation like this, for instance, stoppage of passing of lands to creditors, even agriculturists, would check this process.

2348. 7. *Zamindar* money-lenders do not take personal services from borrowers in lieu of interest, but in addition to that.

2349. 9. I think, it is not used at all in the province. This should be used freely in the province.

2350. 10. Money-lenders bill should be passed, money-lenders account must be regulated and published.

2351. 11. None to my knowledge.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2356. 12. Cultivators in this province obtain finance for expenses during cultivation from village *banias*, and for permanent improvements from Government as *takavi* and for other special needs from grain merchants or money-lenders of the city. Big *zamindars* obtain loans from banks and bankers, and also from Government as *takavi*—40 per cent. of the loans for cultivation and death and marriage expenses are obtained in kind, such as, seeds, rice, *ghee*, etc. Exorbitant rate of interest is charged as already mentioned. The period of loan is usually 6 months or from one harvest to another, but *takavi* loan is for long period and the *zamindars* are mostly benefited by it. For land, house property and ornaments given in security, inferior kind of grains are taken with the promise of giving at the next harvest superior kind of grain, or a very unreasonably low price per maund is fixed for the coming harvest by the money-lenders and grain merchants. The cultivators being in need, and unable to get money from any other source, agree to these terms, and thus the produce of the next harvest is taken for a nominal sum. Thus the interest for loans in kind is quite different and far more exorbitant than that on the loans in cash.

2357. There are no joint stock banks, co-operative banks, companies trading in fertilisers or improved agricultural implements in this province so far, hence this province is deprived of the benefit enjoyed

by the Punjab and other provinces. Imperial Bank of India and other banks, as far as I know, are not for agricultural classes, but they are for businessmen of the towns and cities. Government, of course, gives *takavi*, but this help to poor and miserable cultivators and *zamindars* of the province is like salt in the flour. Bankers, professional money-lenders, merchants and dealers are the Shylocks of the *zamindars*, and they are the leeches of the agricultural classes. They do more harm than good, and are the curse of the ignorant, illiterate, and always in need cultivators.

2358. 13. Cultivators cannot freely borrow *takavi* as the sum sanctioned and allotted for the district is insufficient for the needs of the cultivators. Small sums are advanced, which practically do no good to both the small and big *zamindars*. The big *zamindars* cannot avail themselves of *takavi* for big improvements. I would suggest that like the Income-tax Department, a separate Takavi Department should be opened for the province. Applications may be entertained throughout the year on unstamped paper, and on receipt of such applications, the enquiry from the *patwaris*, *tehsil* or Revenue Officer may be made by the department independently. The applicant need not attach the statement of his holdings (*fard*) from *patwaris* or recommendations from the revenue officers, as these things involve expense and unnecessary delay. On ascertaining that the applicant has got lands or property, and that the need for *takavi* is genuine, he may be given *takavi*. Officers of the department may tour in the province and see—

- (a) whether *takavi* advances have actually been spent wholly on the needs mentioned in the application;
- (b) whether there is any scope for improvement at any place, and if so, to induce the owner of those places to do the needful; and
- (c) whether there are any cases of loans from *banias* or big *zamindars* on exorbitant interest.

2359. This department may also be utilised for realisation of *takavi* instalments. If in case of failure of crops or some epidemic, the payment of an instalment is impossible, then remission may be made on recommendation by the department. At present the grant of *takavi* is in the hands of the revenue assistant, who has to do the work of the whole district, and cannot give adequate time and attention to this most beneficial and necessary work. The above scheme of a separate Takavi Department may be tried in this province for 3 years provisionally, and the results noted. I am definitely of the opinion that the scheme would prove a boon and a blessing from the Heavens, and this would go a long way to ameliorate the condition of the farmers and the *zamindars*. This department may induce people to buy improved implements, fertilisers, to follow improved methods in agriculture and to bore tube-wells in dry tracts.

2360. 14. There is no co-ordination among the various credit agencies in this province.

2361. 16. The information available at present is not adequate for the estimate of the total amount of capital required for the agricultural classes, and unless applications are freely invited with the correct data and figures of requirements, no correct estimate can be formed for a district. The sum required in the application must be duly verified.

Mr. Mohd. Nawaz Khan.

## C.—FINANCE FOR MARKETING.

2362. 17. The Kohat District is hardly self-sufficient. The transborder people also buy grains from Kohat, which entails imports of grain. There is no considerable export of grains from this province. Sawabi, Mardan, Takht-Bahi, Charsadda, Karak, Laki-Marwat and Naurang are the main marketing centres for the province. Only wheat, barley, maize and gram are being marketed.

2363. Present method of marketing is deplorable. The agricultural classes of this province are ignorant, destitute, heavily in debt on exorbitant interest, and lacking in knowledge of agriculture and disposal of their produce. Most of the cultivators and *zamindars* are compelled to sell their produce to the *banias* and grain merchants, while the crops are even hardly sown, or sometimes while the crops are standing green, at any rate which is fixed by the Shylocks of the *banias*, who are deliberately undermining the very existence of agricultural classes. It is therefore the *banias*, the money-lenders and the grain merchants who come into possession of almost the whole of the surplus produce at the time the produce is ready, partly in satisfaction of such bargains, partly in satisfaction of heavy debt and interest and partly in satisfaction of the purchases done by the cultivators during the season from the *banias* and village shop-keepers, who are petty money-lenders also. Free *zamindars* send their produce to markets, and after paying commission, weighing charges and storing charges, sell their produce at the price fixed by the local grain merchants. So the whole produce comes into the hands of the money-lenders and grain merchants. When nothing is left with the cultivators and *zamindars* over and above their requirements, the prices begin to rise instantaneously, and these merchants sell to big grain firms at Karachi, etc.

2364. Most of the agriculturists cannot store their produce on account of liabilities and needs such as payment of revenue and their daily expenses. For their own use and for seed purposes they store grains in the old unscientific methods in bins of mud or in rooms without any ventilation. Much improvement can be done in this respect by introducing improved methods of storing. It is possible to use the stored grain as security for obtaining credit if the grain merchants are stopped from the malpractice of acquiring grains by the present injurious means.

2365. 20. Nothing can be done in this province without the help and assistance of Government. Licenced warehouses in India on the lines of the system prevailing in the United States of America would be very useful and beneficial.

2366. Improvement in marketing may be suggested in the following manner:

(1) Construction of suitable metalled roads from grain producing centres to the markets.

(2) Imparting suitable knowledge of business in trade of agricultural produce to the sons of agriculturists and *zamindars*.

(3) Establishment of agricultural banks and co-operative societies, which may lend money to agriculturists on moderate rate of interest for the trade and improvement of agriculture on suitable security, thus saving them from the clutches of money-lenders.

(4) The time for the payment of land revenue and water rates should be extended for at least four months, as at present the revenue falls due when the produce is hardly harvested, and no breathing time is allowed to the *zamindars* and cultivators.

(5) Encouragement should be given to the agriculturists to co-operate and establish their own firms dealing in grains and agricultural produce, thus saving for themselves, the heavy margin of profit of the intermediaries and bettering their condition in consequence.

#### D.—LONG PERIOD LOANS FOR AGRICULTURE.

2367. 25. There is an appreciable demand for long term credit in the province by all the classes especially in Kohat, and Dera Ismail Khan districts, as these two are the poorest districts of the province.

2368. 26. Land-lords and tenants obtain loans for long period in the province very sparingly on the security of land, except from one source, i.e., Government as *takavi*.

2369. 27. Already stated in answer to question No. 13:

2370. 28. Approximately the prices of land per acre in this province are:—

	Rs.	Rs.
(a) Irrigated <i>dofasli</i> (Twice harvested in a year).	1,200	to 1,600
(b) Irrigated <i>yakfasli</i> (Once harvested in a year).	400	„ 800
(c) Tank or Well Irrigated . . . . .	1,000	„ 1,200
(d) <i>Dagola</i> . . . . .	300	„ 400
(e) <i>Bandezi</i> . . . . .	200	„ 300
(f) <i>Barani</i> (watered by rain) . . . . .	100	„ 160

2371. The ratio of the annual yield of land of average quality per acre to its market value under normal condition is 1: 40, i.e. 2½ per cent. annually, while if cash is deposited in Government securities, post offices or in the Imperial Bank, the interest is 5 per cent. (double) per annum.

2372. Value of land at (a) and (b) is much less than the value of (c). Cause of the difference is evidently the unavoidable circumstances of the sale, need of the owners and the short periods fixed for the final sale of the lands at (a) and (b).

2373. 29. Agricultural holdings cannot be mortgaged to non-agriculturist classes, who are the only wealthy classes of the province, and this has an adverse effect on borrowing for long or short periods. Agricultural banks and co-operative societies should mortgage the lands.

2374. 30 and 31. There are no land mortgage banks in the province as far as I know.

2375. 34. Taking into consideration the annual produce of the land and then calculating at a moderate rate of interest, the value of land offered for mortgage would be obtained.

#### E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2376. 33. Poultry farming, dairying, keeping flocks of sheep and goats, gardening, making things such as ropes, matting, baskets, etc., from *mazri* (palm) for sale in market, bee-keeping, sericulture, pisciculture, lac-culture, rice-milling, *gur*-making, sugar refineries and hand spinning are the main subsidiary industries to occupy usefully the spare time of the cultivators, and their families. Co-operative societies or Government may usefully establish ginning factories, rice-milling factories, sugar factories, flour mills, pressing machines for grass, *bhanna* and cotton and other industrial factories in rural tracts where the cultivators may be put to work in slack season. For the

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above enumerated industries Government may advance loan on *takavi* system to the enterprising and intelligent cultivators and *zamindars*, as average cultivators are always poor and are unable to start anything on their own resources.

2377. 39. The obstacles in the way of expansion of the above enumerated industries are (1) ignorance, (2) lack of capital or funds, (3) lack of co-operation and enterprise and (4) no suitable market for such produce generally. Small institutions should be established among rural population to impart instructions and knowledge regarding such industries and *takavi* advanced to the successful and keen cultivators, who may be fit to carry on industry. Exhibitions should be held in different rural tracts and prizes awarded for such produce. Transport facilities would help these subsidiary industries much.

#### F.—RURAL CO-OPERATION.

2378: There are no co-operative credit societies in the province as far as I know.

#### H.—TRANSBORDER TRADE.

2379. Potatoes, walnuts, wools, and hides are the main things imported from the transborder countries.

2380. The market places to which these things are brought are:—

Hangu.

Kahi.

Naryab.

Thall.

Doaba.

2381. Sugar, tea and cloth are the chief things exported, and these things are bought from Hangu, Kahi, Thall and Doaba villages. The persons who export and import these things are Hindus, living in transborder countries, or the *zamindars* of the transborder territory themselves.

2382. The means of the import and export of the articles mentioned above are mules, bullocks and donkeys.

2383. The petty traders, so far as I know, get money from their *naiks* (if they are well-to-do), or from their fellow Hindus living in the transborder territory. They do not get money from the traders in British territory. When they take money from their *naiks* (*maliks*) they pay no interest on that sum, but they offer them some sweetmeats, a tin of tea and something more like that.

2384. The rate of conveyance between different places of transborder territory and those of the British territory mentioned in para. 2 above are as under:—

Mule Rs. 15 (*kabulis*).

Donkey and bullock Rs. 10 (*kabulis*).

2385. For the present there can be no hope of any improvement in the existing system of trade. Being an independent country, roads and means of easy conveyance cannot be introduced.

2386. I do not think there would be any safe way to protect the financing agencies; owing to the independent nature of the country, its inhabitants are free-borne, every one being the king of his house, and are nearly cent. per cent. illiterate, and incapable of knowing their interest.

## I.--INDIGENOUS BANKER AND MONEY-LENDER.

2387. 55. Hindus and Sikhs mostly, and to a very little extent Moham-madans but secretly; their number is ignorable.

2388. Along with money-lending mostly the Hindus and Sikhs do business in grains, cloth or other business on commission. Some are ordinary shopkeepers. Eighty per cent. combine other business with banking, 20 per cent. of these indigenous banks live exclusively on money-lending and banking.

2389. 56. Dealings of indigenous money-lenders with their clients are not conducted on sound lines. Calculation and multiplication mistakes are common in the calculation of interest. Sometimes the sums repaid or sums paid in kind by the debtors are not entered in the account book altogether. Old debts are not shown as such but they are renewed and shown as new debts, thus making it impossible for the court to know the actual sums advanced. At least 15 per cent. per annum is the net return to the indigenous bankers and money-lenders on their capital, after deducting all the expenses.

2390. 65. As far as I know, no money-lender has failed since 1920, rather they have prospered by leaps and bounds. Their business is increasing, and their every pie can be invested, if they want to do so, on good securities. They refuse giving loans to 60 per cent. due to the uncertainty of security offered and mostly due to the insufficiency of their working capital. Bankers are sufficiently protected by law.

## INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

2391. 79. Throughout the province there may not be more than a dozen big landlords, who have surplus income over their necessary expenditure, which they usually invest in buying lands, etc. All the other agriculturists are very poor, 50 per cent. are under debts, and the remaining 50 per cent. can hardly manage to make both ends meet.

2392. 81. I think the habit of buying silver and gold in the form of ornaments has totally been given up, and I am of the opinion that since 1913 ornaments have been mortgaged and sold and are not made fresh. Tendency towards hoarding is decreasing. Existing banking resources in the province are quite inadequate. All the *tehsils* and big villages are the proper places in this province for the opening of co-operative credit banks, mortgage banks and branches of joint stock banks.

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**Khan Bahadur MAULVI AHMAD DIN, M.B.E., Retired Political Agent, South Waziristan, Dera Ismail Khan.**

2393. I have general knowledge of the Dera Ismail Khan, Bannu, Kohat and Haripur Districts, but cannot recollect the correct figures of the indebtedness of agricultural classes. I was Revenue Officer in these areas. However I will give my report on rough estimate which I can form in my mind on the points now to be answered. If some accurate figures are required then the report cannot be submitted within so short a time.

2394. The Central Areas Banking Enquiry Committee especially ask about Peshawar, Dera Ismail Khan and Haripur Talukas which are considered typical areas for this purpose.

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2393. Although I have been Tehsildar of Haripur too but that is some twenty years ago and the condition would have been changed much by this time, hence I will restrict my views and suggestions to the Dera Ismail Khan Tehsil where I have got lands in several villages.

2394. The extent of indebtedness among the *zamindars* (Jat, Pathans, Syeds and *Quraishis*) is heavy one in view of the quality and condition of the lands in the *tehsil*. The *tehsil* is practically the whole of it *barani* and subject to the fluctuation in the crops. The well-to-do *zamindars* without any trouble can be counted on the fingers. Even these cannot be considered wealthy when compared with the other districts of the province.

Under the circumstances I will say that nearly all agriculturists are under debt of old-fashioned money-lenders in the villages. These money-lenders give loans on exorbitant rates of interest. Sometimes they charge one anna per rupee per mensem and the *zamindars* without knowing the result of such ruinous agreement hypothecate their lands with them. Land and cattle are their only credit.

2397. The Land Alienation Act has to a large extent stopped the permanent alienations of their lands otherwise the conditions would have reached a most critical stage by this time.

2398. In the village the money-lenders are very hard. This year the Daman lands have been irritated by heavy rains and flood and the *zamindars* of Daman and Kacha are very keen to cultivate wheat and other *Rabi* crops. They have been deprived of every kind of crops in the last two years. This year *Kharif* crop (*barra* and *jowar*) has also nearly been destroyed by locusts. They were very anxious for the seed. The Government was kind enough to grant *takari* but this was a limited sum hence some of them have been borrowing money from *banias* who have been charging interest at the rate of one pice, half anna and rarely one anna per rupee per mensem. I have heard one or two cases in which the *zamindars* have agreed to pay them in June next one *topa* (4 annas) wheat per rupee as interest. In all cases *banias* take other articles besides manual labour as extra interest too, that is after every 20 rupees of loan they take one bullock load of fuel, one bullock load of *bhanna* or *tanda* and some labour. There is no fixed rate of interest, in short they take interest according to the status, insolvency, and need of the creditors.

2399. As the assessment in this district is fluctuating there are rare cases of borrowing money for payment of land revenue. There is no kind of industries in the rural area of the *tehsils*. In the city of Dera Ismail Khan here are some kind of industries such as wood, pump making, etc., but there are many banks and *banias* in the city and they mortgage their jewellery, etc., when they borrow money. Thus they do not want any relief under these circumstances.

2400. For the rural area I will suggest the opening of the *zamindara* banks as in the Punjab and introduction of some kind of industries so that they may earn something in the time of draught.

As regards the answers to the questionnaire framed by the Committee, I give my replies as below:—

#### A.—AGRICULTURAL INDEBTEDNESS.

2401. The villages Taj, Bhaur, Ghaffura, Dad and Jandi in the Dera Ismail Khan *tehsil* are such where I have got landed property. At present I cannot give accurate figures of their indebtedness as it will require time to prepare such an estimate. I have already given a rough idea of their indebtedness in my preamble.

2402. The purposes of debts as known to me are :—

- (a) The repayment of earlier debts.
- (b) Small amounts for marriages and other social occasions.
- (c) Famine, drought, and other distresses.
- (e) Growth of debt by compound interest which are not paid.
- (f) Seed.
- (j) Litigation.
- (k) Purchase of cattle.

Other causes are insignificant and need not be enumerated here. I may also mention that the majority of the *zamindars* in the *tehsil* possess lands less than 100 acres each. These debts are mostly due to money-lenders (*banias*).

2403. 2. I have already stated this.

2404. 3. The existing legislation is not considered sufficient to facilitate the interest. I will suggest that the legislation should stop the growth of interest which should not increase more than the principal in any case. The limitation for recovery of debt should be ten years instead of three years.

2405. 5. Some of the people are not efficient farmers and they are mostly tenants-at-will and some of the *zamindars* are being turned by money-lenders into tenants-at-will for short periods.

2406. 6. If new method of cultivation and introduction of new implements are used it will check to a greater extent.

2407. 8. The introduction of Usurious Loans Act will be a boon to the people in this Province.

2408. 11. *Panchayat* system is useful but supervision of district authorities is necessary for the *panchayat* system in the present condition of the people will be rather troublesome. It can be regulated gradually when they learn their duty properly.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2409. 12. The present system consists of *takari* and loans from money-lenders. I have already stated fully about this in the preface.

2410. 13. No.

2411. 14. No.

2412. 15. I have already given answer.

2413. 16. At present no estimate can be given as it requires time.

2414. 17. Dera Ismail Khan City.

2415. 18. For the marketing of crops, merchants and dealers are the only agencies in the city.

2416. 19. The agriculturists mostly sell their extra produce to the money-lenders on the threshing floors and some store their extra produce in their houses in *kothas* and bring the produce to Dera Ismail Khan when the rates are favourable.

2417. 20 to 24. Does not apply to this *tehsil* in the existing conditions.

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2418. 25. No appreciable demand.

2419. 26. By hypothecating lands and houses on interest.

2420. 28. The land is mostly *barani* and varies in quality and the value is Rs. 100 to Rs. 200 per acre.

The sale of land in Government auction, for non-payment of revenue, is very rare but sometimes land is sold in *court* decree and there is small difference in sales by private negotiation.

2421. 29. Land Alienation Act is the impediment.

2422. 30 to 44. Do not apply to this area.

2423. 35 to 37. Do not apply.

2424. 38 to 40. Until some canal is not constructed.

2425. 41 to 47. Do not apply.

#### G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2426. The only suggestion I will make in this connection is of making some roads and improvements in the method of irrigation. In each *tehsil* an irrigation committee under the presidentship of the *Tehsildar* or Revenue Extra Assistant Commissioner should be framed.

#### H. TRANSBORDER TRADE.

2427. 54. There are two kinds of trade with the transborder people.

(1) With the *pawandas*, subjects of the Amir.

(2) With the transborder tribes.

2428. The trade with the *pawandas* is in reality trade with Afghanistan and the present method is well known to the Government and it is needless for me to recapitulate it. The only suggestion in this connection is the creation of the Muslim bank in D. I. Khan.

2429. The trade with the transborder is with *Mahsuds*, *Bhittanis*, and *Sheranis*, etc. The two former have whole transaction in Tank while the latter trade in Daraban and Chaudhwan. Under the present condition no change seems necessary.

2430. 55. Money-lenders, besides banking, carry on shopping in the villages. Other points have already been reported.

2431. 57 to 78. I have already given my answers in the preface as far as they apply to this *tehsil*.

2432. 79. to 95. It requires time to reply these questions. If sufficient time is allowed I will be able to give proper estimates and replies.

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**Mr. MOHAMMAD YOUSAF, Inspector, Co-operative Societies,  
Swabi, Peshawar District.**

#### A.—AGRICULTURAL INDEBTEDNESS.

2433. 1. The total debt of Swabi *Tehsil* is approximately Rs. 30,00,000.

(a) Rupees 4,75,000 in the form of registered mortgages.

(b) To circumvent the provision of the Land Alienation Act Rs. 1,25,000 or more is loaned to the agriculturists by the non-agriculturist classes.

(c) Roughly Rs. 24,00,000, on the securities of ornaments chiefly.

2434. The best manner in which we can arrive at a reasonably accurate estimate of debt of a *tehsil* or *district* will be:—

- (1) Through enquiry in 5 villages of different types in detail.
- (2) Examination of landlords, i.e., debt per landlord can be arrived at by dividing (1) by five and multiplying it with the number of villages in the *tehsil* plus the sum due to the landlords. In (1) when examining the 5 villages, the landlords, if any, must be excluded.

2435. The major portion of the debt incurred so far as Swabi *Tehsil* is concerned is due firstly on account of, and simply on account of, civil and criminal litigation; secondly, to attain predominance in their respective villages, thirdly, on account of compound interest, fourthly, on marriage and funeral ceremonies and fifthly, on extravagance, including *mehman niwazi*. Debt for productive purposes is unknown in this area.

2436. Debt and credit as elsewhere go together. Those who own less than an economic holding have very little scope for borrowing and cannot bring forward sufficient security. Most of the borrowers, therefore, are those who own more than an economic holding and those are big landlords.

2437. In order to encourage borrowing for productive purposes firstly it would be necessary to change the wrong action of the predominance in the villages, discourage extravagance and confer Governmental favours on those who have taken active steps in better agriculture, the use of improved implements and the education of their children and have thus elevated their own status.

2438. The sole creditors of these people are the money-lender shopkeepers. The credit due to Government, banks, co-operative societies, indigenous bankers is insignificant comparatively speaking.

2439. 2. The prevalent rate of *sahukara* interest is  $37\frac{1}{2}$  per cent. per annum. Compound interest is charged. The *zamindar* usually would not break his relation with the *sahukar* who is his sole agent of credit, as neither Government loans, banks, co-operative societies are within easy reach or known to the common agriculturist.

2440. 9. The existing legislature provides ample protection for the creditor, but there is lack of right sort of creditor and *sahukar* serving a useful purpose. Now, on account of the ignorance of the people, lack of sound credit or competition has become their enemy and has become the cause of their ruin. Secondly, capital is needed for the debtor's sake and capital to exploit the needs of the debtor must be checked.

2441. 4. Yes, to a certain extent.

2442. 5. Yes.

2443. 6. (1) Yes. (2) The process can be checked by enforcing legislation in respect of regulation of accounts of the money-lenders, propaganda and start of co-operative societies of different kinds.

2444. 7. There may be some cases of the kind.

2445. 8. When the money-lender advances cash, besides, sureties he takes ornaments or other collateral securities and enters double the sum in his books so that if time for litigation comes he might have his prey well in hand. When advancing small sums for manure and seeds he generally takes no security but takes 8 annas per maund as commission on the produce at the time of selling, which is known as *dharat*, over and above the small part in produce. Moreover the debtor is bound by mutual consent that he would not sell but through his money-lender. As a matter of fact each *zamindar* has his own

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money-lender as almost each *zamindar* is a debtor and hence the rate of the produce is nothing but the sweet will of the money-lender himself. No matter what the rate of tobacco plant in Hazara, Lahore or even in Peshawar and Mardan may be, the money-lender will fix his own low rate to the great detriment of the *zamindar* and will have it imposed as the latter has no other alternative. No seller in this area buys except through the money-lender and hence the legitimate rate of the produce is nowhere. If co-operative commission shops, Government store-house on Egyptian model is extended it may break the ruinous monopoly of the money-lender.

2446. 9. The Usurious Loans Act or something like it must be introduced.

2447. 10. Yes

2448. 11. No.

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2449. 12. The agriculturists in the Swabi Tehsil are mainly financed by the money-lender. Except the small amount that is loaned to them by Government as *takavi* there is no other financial agency. The Co-operative Department has begun work only recently. The rate of interest on loans for expenses during cultivation is no fixed amount but a charge on the produce at 8 annas per maund which varies with different crops. The security offered is generally ornaments. The rate of interest worked out comes sometimes to 50 per cent., which is very exorbitant. Except the money-lender, shop-keeper or the Government *takavi* loan, the *zamindar* can go to no other financing agency.

2450. 13. The agriculturist does not, or rather the common agriculturist cannot, profit himself by the *takavi* loans. Apart from the defects of the *takavi* system, there are practical difficulties for the agriculturist to avail himself of its benefits. If the grant of *takavi* loans is to be extended and their benefit thrown open to all, the one thing necessary would be the strictest supervision of the application of the loans, for the *zamindar* does not so much suffer from lack of capital as from capital at extortionate rates or his own misuse of the loan.

2451. 14. The only financial agency, working in this area is the money-lender and he has his brother money-lenders to whom he resorts in times of need when he has to meet the demand of his agriculturist or the borrowers on the very security of the ornaments offered to him at a comparatively low rate and then lends to the *zamindar* on high and exorbitant rates. He neither needs nor deserves co-ordination. The need for Government loans for the good of the people is very great and co-ordination between the Government loans, co-operative societies, Imperial Bank and other indigenous banks will be welcome and productive of great benefit to the debtor as well as the creditor.

2452. 15. The chief defects in the finance of agriculture are:—

- (1) Creditor does not bother himself about the application of the loan, he only cares for the security.
- (2) Rate of interest is exorbitant.
- (3) Method of accounts is defective.
- (4) The creditor rather goads the debtor to spend and relaxes repayments

2453. 16. Rs. 14,00,000 will do. The capital at present available is inadequate and also its expansion on the aforesaid objects is impossible as the rates of interest charged by the money-lender who supplies most of the capital would render all productive purposes unproductive.

### C.—FINANCE FOR MARKETING.

2454. 17. The chief marketing centres in the Swabi Tehsil are:—

- (1) Nawenkilli,
- (2) Tordher,
- (3) Swabi, and
- (4) Topi.

2455. 18. There is little of marketing by the producer. He is bound to sell it through the money-lender to whom he is usually indebted when the crop is ready. The produce of the agriculturist thus is not open to a free marketing nor is he free to the market.

2456. 19. Please refer to answer to Question No. 18.

2457. 20. With an initiative from the Government there is great possibility of success in this direction.

2458. 21. There are no such facilities.

2459. 22. Nil.

### D.—LONG PERIOD LOANS FOR AGRICULTURE.

2460. 25. There is great demand for long term credit in the *tehsil* for the redemption of landed property, development of agriculture and bringing into cultivation new land, etc., by large landholders and owners of about 100 acres of land and to some extent by peasant proprietors for digging of wells or repairing old wells, etc.

2461. 26. Long term loans are difficult to obtain and it is still more difficult to make the best use of them.

2462. 27. Kindly refer to answer to Question No. 13.

2463. 28. Kind of land—

Kind of land.	Price per acre by private negotiation.	Ratio.
Chahi .. .. .	Rs. 800 to 2,500	8
Nehri .. .. .	100 to 200	5
Barani . . . . .	10 to 40	1

The prices of *chahi* land are enormously inflated by local conditions, nearness to their dwellings and traditions or else it is little better than the *nehri* as would be clear from its ratio from 8 to 5. The *nehri* land in comparison to its price gives the best returns but it demands adventure and effort to bring it under cultivation as it is usually far from the villages and to make dwelling there. The *barani* land is generally waste land and gives the least return at maximum

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cost. The value of land in Government auction or by court decree is difficult to calculate as at the time of such auctions conflicting forces are at war. Sometimes the enemy of the land owner would buy it at fabulous rates and sometimes land would be sold on account of lack of purchaser and the influence of the land owner for very small sum.

2464. 29. The co-operative societies to advance long term loans can mortgage agricultural holdings, but in case of default it cannot seize and auction the land. In case of default I think it necessary that co-operative societies should have the power to seize or auction the land mortgaged.

2465. 30. There are no mortgage banks in the *tehsil*.

2466. 31. There are no mortgage banks in the *tehsil*.

2467. 32. A Co-operative mortgage bank at Mardan, with Mardan and Swabi as the area of operation, would prove very useful.

(a) and (b) As detailed in the model bye-laws of the co-operative mortgage banks.

(c) The share capital is likely to be subscribed by the public, but the Government may undertake the subscribing of balance in the preliminary stages.

(d) The period for which the loan should be advanced should extend from 15 to 20 years. The amount of loan advanced should not be more than in case of *chahi* land 50 per cent. in case of *nehri* and *barani* 75 per cent.

(e) The mortgage banks should obtain their capital from shares, fixed deposits for long terms, loans from central institutions and by issuing debentures bonds.

(f) These debentures should carry Government guarantee at least for interest if not the principal.

(g) In the preliminary stages the Government should take up the balance.

2468. 33. The agricultural mortgage bank may raise money on:—

(1) Fixed deposits for 4 years at  $7\frac{1}{2}$  per cent.

(2) Funds from central institutions at 7 per cent.

(3) Debenture bonds at 8 per cent.

(4) Land at 9 or  $9\frac{1}{2}$  per cent.

2469. 34. As the annual yield is not sure or known and prices for the same kind of land vary, exact calculation is difficult, but from the records of certain class of land sold in the previous 5 years under normal conditions minus ten per cent. for the inflatedness of prices would bring us nearer to the exact price of a certain quality of land.

2470. 35. Any financial obligations undertaken by the Government must be given preference over all creditors except the Government demand of land revenue.

#### E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2471. 38. No such industry.

2472. 40. In seasons when the farmer is not well employed, he can be employed with the rearing of silk worms and cigarette making for which little capital is needed.

## F.—RURAL CO-OPERATION.

2473. 41. The co-operative movement is only very recently started here. Efforts are being made to receive deposits, as well as lend money and to make them real co-operative institutions affecting the very social and moral life of the people.

2474. 47. The co-operative movement is in its infancy and for its propagation the assistance and co-operation of other Government departments is necessary. These agricultural societies need financial help and *takavi* loan must be issued to them. At present, however, they need no financial assistance from the Government.

## I.—INDIGENOUS BANKER AND MONEY-LENDER.

2475. 55. Only the Hindu and the Sikh communities practice indigenous banking and money-lending in the area.

2476. 56. The money-lender is generally the shopkeeper also. Almost all the money-lenders supplement their income by shopkeeping.

2477. 57. The moneylender purchases or arranges the purchase of the agricultural produce and finances him in time of cultivation and throughout the season, supplies seed and other household necessities.

2478. 58. (a) Capital invested by money-lender is about Rs. 25,00,000.

(b) Volume of business is about Rs. 60,00,000.

(c) Expenses in (a) and (b) including civil suits, etc., is Rs. 50,000.

(d) The village money-lender seldom borrows from the town banker at cheaper rate as the security of the ornaments offered to him by his intending debtor to lend them at higher rates. It would be better if the agriculturists were made to approach the town banker when the town banker is brought nearer to them.

2479. 60. As in answer to question No. 58.

2480. 63. The prevalent rate of interest charged by the moneylender from the agriculturist is  $37\frac{1}{2}$  per cent. and from men of influence he charges 25 per cent. or even less. These rates can be brought down by the co-operative organization and extension of the *takavi* loan to the agriculturist; these would greatly benefit him and improve his standard of living.

2481. 64. Yes. There is prejudice against the moneylender. The dealings are not conducted on sound lines, accounts are faulty and rates inappropriate and extortionate. The accounts must be made regular and the Usurious Loans Act fixing the rate of interest must be given effect to.

2482. 65. The net return of the money-lender is no less than 30 per cent. per annum. Their business is generally increasing and there is no instance to my knowledge as regards the failure of moneylender.

2483. 66. On account of the decline in the profit of the agriculturist and lack of security the moneylender has to refuse often.

2484. 67. The moneylender is the only person to whom the agriculturist has to resort to in time of need.

2485. 68. Part of the rural money certainly is going in the hands of the town bankers. If the system of lending and borrowing is regulated much improvement can be expected.

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2486. 71. Unless the regulation of accounts and Usurious Loans Act are brought into operation no legal protection or facility for the money-lender is advisable. Legal facilities must be provided to the joint stock banks to enable them safely to lend to the agriculturist on the security of his agricultural produce, ornaments, agricultural land or dwelling house.

2487. 72. As above.

2488. 74. The indigenous banking communities would not favour the regulation of their operations and accounts, a fact which goes a long way to prove their uncharitable dealings, but if the measures are imposed they will not find these to their great benefit as their volume of business will greatly increase.

#### J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

2489. 79. About 2,000 of the agriculturists living in the *tehsil* may be having a surplus of Rs. 2,00,000.

2490. 81. The tendency towards hoarding is decreasing. The amount kept buried cannot be given.

2491. 82. The large portion of money that comes into the hands of the people is mis-spent. The influence as yet of co-operative societies in this respect is insignificant.

2492. 83. Farmers rarely lend to their fellow agriculturists and as they are orthodox Muslims they seldom charge any interest. The surplus money, if any,—for in the prosperous years they increase their expenditure—they use mostly for the purchase of land.

2493. 84. As the *tehsil* is an isolated one, the abolition of stamp duty on cheques is not apparent.

2494. 85. Yes, banking and investment habit in India is of very slow growth. The causes may be summed up as follow:—

(1) Illiteracy.

(2) Isolation.

(3) Lack of confidence on account of failure of some banks.

2495. 87. (1) Yes.

(2) No.

(3) Yes.

2496. 88. Persons unwilling to earn interest can be induced to render such interest available for the economic development of the country on the plea that such amounts would be doubled by Government and would be spent according to their wishes for the economic development of the country in their neighbourhood, for constructing roads or digging public wells, or given to orphans or on sanitation, etc.

2497. 92. Yes. The officials and non-officials of the Co-operative Department should be urged to make propaganda in this connection. Other Government officials should be asked to encourage such persons and confer titles or agricultural rewards on those persons who invest their savings in productive purposes or the development of agriculture.

2498. 94. None in this *tehsil*.

2499. 95. Post Office Saving Banks may be opened at:—

(1) Topi, (2) Zaida, (3) Newankilli, and (4) Yar Hussain.

Co-operative credit banks should be started in almost every village and a mortgage bank at Swabi.

## REPLIES TO THE QUESTIONNAIRE.

Representatives of Local Bodies, e.g., Municipalities, Local Boards and Panchayats.

**Memo. from SAYED MOHAMMAD ASHRAF, B.A., L.L.B.,**  
**Pleader, Vice President, Municipal Committee and Anjuman**  
**Islamia, and President, Bar Association, Kohat (North West**  
**Frontier Province).**

2500. It is most essential that a scheme should be formulated to make facilities for the agricultural tribe to acquire loan on easy terms as India is originally an agricultural country and only a very small portion of the population conducts industries. The trade of the country is also dependent upon the agricultural produce. The agricultural population, feeling the burden of debt, are slowly and gradually leaving their ancestral profession and are going out for doing labour wherever found. Though they get very low wages for their labour, yet in the present conditions the labourer's position is better off than that of an agriculturist. It is difficult to estimate present indebtedness of the agricultural classes of the district in figures. It is somewhat possible for the Government officials to provide accurate figures—to be quite accurate is not possible even for them. They can only be assisted by the record of the Registration Office, to know the mortgage debt on the immovable property, or from the decree of the civil courts or from the Income-Tax Officer's records; by those lists which are prepared by the bankers for the department. But it is utterly impossible to estimate those debts which are incurred on the unregistered bonds or on *bahis*. From personal experience it can be stated that if not 95 per cent. at least 90 per cent. rural population is under debt. In the circumstances it seems difficult to stop the tendency of leaving the holdings and adopting labour abroad. No new area has come under cultivation, and instead many tracts are slipping away from the operation of plough.

(a) The Land Alienation Act was promulgated in the Punjab in 1900. In Bannu, Hazara and Peshawar districts of the Frontier the Act was introduced in 1904. But in our District (Kohat) unfortunately it was not introduced until 1921. The money-lending classes of adjoining districts, Mianwali, Campbellpur and Bannu availed themselves of this Act fully, so much so that nearly one fourth land of the district is under mortgage and nearly  $\frac{1}{2}$  is alienated under sale. The alienation has mostly taken place in Kohat and Terri Tehsils. The people of our District are intellectually more backward than those of the adjoining districts and now by the postponement of the promulgation of the Land Alienation act they have suffered most. The agricultural land is mortgaged with possession and is therefore highly burdened.

(b) The loan which is advanced in the shape of *takavi* is very little and bears no proportion with the *baria* debt. In the opinion of the witness it would be less than one per thousand.

(c) A large amount of the debt is secured on houses and ornaments; on the other agricultural implements it is nil, as the implements of these agriculturists are worth nothing. Abundant amounts of loan are advanced on the whole estate of an agriculturist and on the agricultural produce of an holding, which is taken away by the money-

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lenders, consequently the *zamindar* lives on borrowings for the major portion of the year for his food and fodder for cattle. Almost all the landowners borrow seed from *bania*, which is naturally of inferior quality. To a great extent this seed is also responsible for poor produce.

2501. (a) The debts are usually incurred for the following purposes:—

(a) For the repayment of earlier debts which reach some times from Rs. 200 to Rs. 50,000. Examples can be quoted if required.

(b) On account of illiteracy large amounts of debts are incurred on marriage, *khatna* and death occasions. These amounts have invariably risen to such an extent as to become the cause of the alienation of the whole property of the borrower.

(c) Debts have also been incurred during famine in considerable amounts.

(d) Due to the low rate of produce and on account of repayment of the interest on earlier debt the landowner is often left with very little to pay the land revenue; hence for this purpose he has to resort to *bania* once again.

(e) The real causes of destruction of the *zamindar* are due to the compound interest and the interest not having been paid.

(f) The debt is often incurred for seed purposes but its proportion to the debt as a whole is very low. No debt is ever incurred for manure.

(g) The people on account of ignorance do not use improved implements. The Government have not even introduced them in the district hence no debt under this head.

(h) The people show very little enthusiasm for digging wells and for making other improvements, though there is scope for sinking wells. A small portion of the debt is incurred for forming *bands*.

(i) The people help each other. No amount is incurred for labourers, though sometimes for building houses some amounts are incurred.

(j) Immense amounts of debts are incurred for litigation purposes. The district is inhabited by illiterate *Afghans*. They get excited on very little provocation and thus to keep up their so called *Pashu* honour fight the case to the bitter end. Owing to their ignorance they spend lots of money on police and other witnesses during the police investigation. The *banias* are too shrewd not to avail themselves of this opportunity; and seeing the agriculturist in urgent need of money lend it on very high rates of interest. Often the case reaches the court, where they again spend sufficient amounts of money and if the case is deputed to *jirga* which is not unusual, the property which was mortgaged during the court proceeding is permanently alienated to stand the *jirga* charges.

(k) Debt is often incurred to purchase cattle.

(l) Debt is incurred for buying land and to fight pre-emption suit, Debt is incurred at very high rates. And often the land which is won in the pre-emption suit does not yield produce sufficient for paying off the debt. The result follows that the successful party sells the land

bought in the pre-emption suit along with his other property. No debt is ever incurred for bringing fallow land under cultivation. For all such cases the villagers help each other gratuitously.

(m) Debt is sometimes obtained for buying or constructing new houses.

(n) Education is not very popular among the *pathans* of this district. A *Pathan* who spends hundreds of rupees on the *Khatna* or marriage of his son hesitates to pay school fees of his son. The *zamindars* who are in service have begun to feel the necessity to spend on education.

2502. Every class of persons owning holdings of different sizes are under debt without distinction. The landlords owning land more than hundred acres are small in number and those land-lords have mortgaged land already. In other cases lands are situated in such a part of the country where irrigation is impossible. By adopting the following methods, borrowing for productive purposes by these classes can be encouraged:—

- (a) Extension of educational institutions. Even the period for the primary classes should be extended.
- (b) The principles of co-operative movement should be taught to children in school.
- (c) Co-operative movement should be introduced in the province very soon.
- (d) It should form a part of the Government officers' duty, (Revenue and other Departments) to propagate the co-operative movement in the villages.

The creditors are invariably *banias* in the whole district. No other institution advances loan. Only *takavi* forms a very small proportion.

2503. 2. The rates of interest are very high. The usual method of calculation is one maund of *bajra* in *kharif* and one maund of wheat in *rabi* for every twenty rupees. Otherwise usually the rate of interest is one anna per rupee per mensem. Sometimes it decreases up to half an anna per rupee. Although the traders in the town borrow from 12 annas per cent. to 2 rupees per cent., sometimes secured by some property and sometimes without property. The interest is usually determined after every three months or after six months. But before the introduction of Land Alienation Act, when the money-lender saw that the debtor had sufficient property he used to allow his interest to be increased. At this, bonds were renewed with the contents that a cash advance is made and when it had risen to a considerable amount, in the first instance his landed property was taken in mortgage and after sometime it was bought.

2504. 3. The legal procedure and the present legislation as conducted in this province all help the money-lender. The witness makes the following suggestions to save the ignorant but useful agriculturist from the clutches of his shrewd creditors:—

- (a) The rate of interest should be fixed by legislation and it should be made obligatory upon the courts not to exceed that limit.

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- (b) The loan which is secured by the aid of property may be recovered by instalments.
- (c) The present law about undue influence should be amended so far as to include provisions to minimise the effect of money-lenders lending money on very high rates of interest to the needy agriculturists.
- (d) The Usurious Loans Act should be given full effect and means should be adopted to save the debtor from the tricks of the money-lender such as showing new cash advance for the old debt in new bonds, or writing new bonds of cash advance in the name of his friends.
- (e) Money-lenders Bill, as moved in the Punjab Legislative Council by Mir Maqbool Mohammad, M.L.C., should be promulgated here.
- (f) Co-operative societies should be opened through the length and breadth of this province. Irrigation projects should be worked upon.

2504(a). 4. Yes. The financial difficulties are responsible for replacement on a large scale of small agriculturists by bigger zamindars and money-lenders in our district. A very large area has passed into the hands of the money-lenders.

2505. 5. Yes, a large number of efficient farmers have been turned into tenants-at-will or are doing labour abroad. The particular feature of this district is that whereas in the case of other districts fallow land is coming under cultivation, in this district the arable land is often turned into fallow land.

2506. 6. Really the process is taking away from the actual cultivator the incentive for cultivating his land in a more efficient manner. The witness makes the following suggestions for counteracting it:—

- (a) The amount of *takavi* loan for the district should be increased.
- (b) Instead of advancing *takavi* loan in cash the best quality seeds should be provided to the agriculturists.
- (c) The agricultural exhibitions should be held regularly.
- (d) Agricultural farms for demonstration of improved methods and implements should be opened by the Government.

2507. 7. Though it is not customary to extract personal labour from the borrowers yet it is not unknown.

2508. 8. No such institution like transborder money-lenders, etc., exists in this district.

2509. 9. The Usurious Loans Act is given very little effect to in this district. The method to make it effective is to make it compulsory upon the courts to apply it.

2510. 10. *Sahukara* Bill, as introduced in the Punjab Legislative Council, is badly needed in connection with the regulation and publication of accounts of money-lenders.

2511. 11. Arbitration Boards or village *Punchayats* are unknown in this district. There is no such agency which may be resorted to, for settlement of accounts between the money-lenders and the borrowers. It can do much good if some such agency is established by the Government.

## B.—FINANCE FOR AGRICULTURAL PURPOSES.

2512. 12. The *bania* is resorted to for :—(a) the expenses during cultivation, (b) capital and permanent improvements, and (c) other special needs, such as failure of monsoon, land revenue, etc. There is no distinction of any class of agriculturist and no other agency but the *bania* who advances money in the villages.

2513. 13. In each case the agriculturist does his best to acquire *takavi* and on account of a particular sort of treatment by authorities he cannot avail himself of this loan. There is no defect in the law itself, but there are difficulties for the agriculturists in the way of obtaining this. Some provision is needed for its smooth working. The amount should also be increased indeed.

2514. 14. There are no credit agencies except the *bania*, hence no question of co-ordination.

2515. 15. The agricultural produce is only financed by *takavi* system, the defects have been shown under reply to question No. 13.

2516. 16. The total amount of capital required at present for various purposes mentioned in question No. 12 for the Kohat District is 20 lakhs. It is estimated on personal acquaintance, with general affairs of the district. However this is not the accurate amount of the capital required for the purposes. The capital at present available is not adequate for the purposes.

2517. 17. There are no efficient marketing centres in our district for the crops. However the grain of the adjoining villages is gathered at Kohat, Thal, Lachi and Latambar. The *banias* work there. The ignorant landowners are matched with the shrewd *bania* with a great loss to the former; Government vigilance is needed at these places.

2518. 18. If the agriculturist brings his produce in these centres he has to pay superfluous charges such as "*dharat, tulai, Kalai, paltai, dharai, dharmau, shagirdi, chittiana, chungu*, etc.; on coming to these places. An agriculturist has to pay from 3 to 4 annas per maund. There is large scope for improvement in this direction. But the success can only be achieved through the co-operative movement.

2519. 19. Previous to taking his produce to the market, the agriculturist stores it in his house, and in the market with the local *artias*. When the agriculturist leaves his produce as security in the so called markets, he is able to acquire loan for half the value of the produce at the rate of interest 3 pies to six pies per rupee per mensem. But he is bound to pay the rates mentioned in the answer to question No. 18 and also the rent of the store house for keeping his produce.

2520. 20. It is possible that with the aid of Government the licensed warehouses in India may be established on the lines of the system which exists in the United States of America and elsewhere.

2521. 21. Co-operative shops are the remedy for procuring goods for the cultivator.

2522. 23. The people will welcome any co-operative movement.

2523. 24. Reduction of duty will do a great deal towards the establishment of markets.

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## D.—LONG PERIOD LOAN FOR AGRICULTURE.

2524. 25. There is really appreciable demand for long term credit in this district if the rate of interest be reasonable.

2525. 26. The big landlords can obtain loans on the security of their land for the period of six years, the other *zamindars* can obtain upto three years.

2526. 27. Every *zamindar* prefers to acquire *takavi* loan but the amount granted is very small. Moreover in acquiring money usually he has to satisfy the undue and exorbitant demands of the department in charge of *takavi*. If *takavi* is advanced on landed security only and no personal security is required, it would do a great deal in creating facilities for acquiring this loan. The document required to be furnished for acquiring *takavi* loan should be made free of charge.

2527. 28. The land irrigated by spring water, in Kohat town is worth from one thousand to four thousand rupees per acre. The other land dependent upon rain is worth from Rs. 20 to Rs. 500 per acre. The annual production of land bears the ratio of 3 to 100 to the value of land. The value of the land in the case of auction, in the town is greater on an average. And in the case of a village the land brings lesser value in auction than the other.

2528. 29. The legal impediments to the mortgage of agricultural holdings exist in our province in the shape of the Land Alienation Act. Practically these impediments are producing no effect on the agriculturist's capacity to borrow capital for long periods. The only modification required is that there are some tribes, which are originally agriculturists and are not protected by the present law. If they are also included in the fold of this law their agricultural land will also be saved from the money-lenders.

2529. 30. No co-operative banks exist.

2530. 32. Mortgage banks should be established under the co-operative movement.

2531. 33 to 37. There is no co-operative system. The replies to these questions cannot be given by the witness as these things are not in personal experience of the witness.

2532. 38 and 39. The industries mentioned in question No. 38 do not exist in this district. The main reason for their absence is the poverty and ignorance of the land-owner. If co-operative movement is introduced and an agricultural farm is established in the district for the demonstration farms of these industries, there is every possibility of these industries coming into existence. The material for these industries does grow already.

2533. 40. Though the construction of new roads is sure to profit the opening and improvement of these industries in the first place demonstration for these industries is needed.

2534. 41 to 46. No co-operative society exists in this district.

2535. 47. Co-operative movement should be started and financial concessions like special exemption from income-tax should be granted in order to stimulate the growth of the movement.

## G.—NON-AGRICULTURE CREDIT AND INDEBTEDNESS.

2536. 48. The rate of interest in the urban areas is 12 annas per cent. to 3 rupees per cent. The usual rate of interest is Rs.  $\frac{1}{8}$  per cent. or Rs.  $\frac{1}{9}$  per cent. Urban classes of all communities are all under debt. Their whole debt in Kohat town would be 50 lakhs approximately. Establishment of banks is badly needed.

2537. 49. In our District *chaplies* and blankets are made in abundance, also some amount of silk cloth for tables and mantlepieces is made. By the extension of banking system it is sure to profit.

2538. 51. and 52. Banks do not exist in Kohat.

2539. 53. The grower of produce in India does not get the full value for his produce on account of many reasons. The reasons already mentioned do not cover his whole position with regard to the produce. The ignorant agriculturist many a time does not know the real rates. He is poor and cannot store his produce. He sells his produce in small quantities. The full profit, whatever it is, taken by the *bania* of the village. Co-operative movement will improve the condition a great deal.

## H.—TRANSBORDER TRADE.

2540. 54. The *Gilzais* of Afghanistan bring *ghee*, horses, *pishta*, *badam* and other fruits, carpets and *hing* (asafoetida), for sale in this district. And they in their turn buy the things made of iron, sugar, salt and leather. There is no practice of borrowing these.

2541. 55. Hindu *banias* practise indigenous banking and money-lending in Kohat District. The people deposit their money with the *banias*, who advance it to others. Sometimes petty *banias* borrow from the bigger *banias* on easy terms.

2542. 56. They are also vendors in the villages and whole-sale dealers in towns. They are in some cases contractors. But the main source of income of them all is interest. At least ten per cent. of these money-lenders live exclusively on money-lending.

2543. 57. The money-lenders of the Kohat District give loan for extravagancy, *i.e.*, to spend on the occasion of marriage or *khatna* or death of the elders in the family. The money is not spent on some productive purposes. Only a small amount is spent on useful purposes. Indeed in towns the loan is advanced for helping the trade.

2544. 58. Accurate figures are not known. But the *bania* advances small amounts and lives on compound interest.

(a) His expenditure is very little.

(b) The village money-lender lends in the village on high rates of interest and borrows from the urban money-lender on easy terms.

(c) The Imperial Bank of India has nothing to do with the *banias* (bankers).

2545. 59. These money-lenders realize four annas per cent. for the sale of the *hundis* also four annas per cent. for the exchange of the *hundis*.

2546. 60. Every money-lender advances on the security of the personal property of the borrower. They also lend on personal security.

2547. 61. The urban money-lender lives on the money insured with him and his personal capital. The village money-lender besides his own capital borrows from the urban money-lender at low rates of interest, and lends on very high rate of interest.

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2549. 62. Bankers of rural area have lesser capital than those of urban area. It cannot be exactly estimated.

(a) Bankers of rural area pay interest to those of urban area at the rate of 12 annas or one rupee per cent. and give money to *camindars* at Rs. 1-9-0 to Rs. 3-2-0 per cent.

(b) The rate of interest is occasionally decreased or increased in different seasons. The local bankers usually borrow money from others on their personal responsibility.

2549. 63. The agricultural community used to pay interest in kind at 50 per cent. per annum.

2550. 63. The better organization to bring down these rates will be to open *camindara* banks and to fix rate of interest. This will not only confer great benefit on the agricultural community but will improve their standard of living as well as oblige them to spend more on agricultural improvements and better agricultural implements, etc..

2551. 64. There undoubtedly exists prejudice against the bankers for levying high rate of interest. The dealings are not conducted on sound lines and this effect can be removed by the opening of co-operative banks and good education.

2552. 65. The bankers and money-lenders draw much benefit after deducting expenses, charges and losses. The court expenses are recovered through the courts.

2553. 66. Exact number of indigenous bankers or money-lenders having failed cannot be ascertained but this class does not usually fail. The failure depends on the failure of debtors who are pressed with high interest. Ordinarily merchants fail for their debts as well as decline of their business.

2554. 66. The bankers cannot meet the demands generally on account of the unacceptable security and insufficiency of their capital.

2555. 67. Money is received by the public including indigenous bankers personally in cash.

By supply bills money is remitted on payment. Provincial co-operative bank will benefit remittances. The merchants remit money by *hundis*. These are made much use of in October to March and are not so frequently used in hot season. The *hundis* are gradually being converted into promotes by which the dealers suffer losses. The dealers execute promotes for repayment of money on demand, fixing the period orally. This system leads the creditors to loss or failure. This can be removed by the amendment of the law regarding exemption of stamp duty and by fixing the period of repayment in the promote.

2561. 74. The *sahukar* will be displeased with the passing of *sahukara* bill, but there lies a benefit for the *zamindar*, etc.
2562. 75. It is over-essential for the Imperial and other banks to charge commissions for periodical *hundies* and this system will be useful to the debtors, etc.
2563. 76. The co-operative societies can be connected through co-operative bank with towns and villages.
2564. 77. The object can be gained by appointing *punchayits* under the supervision of local officers.
2565. 78. The village banks should open their accounts with *sahukars* of the town and both the bodies should have their accounts connected with the Imperial Bank. It is possible.
2566. 79. The exact estimate cannot be framed, but when the cultivators will become educated and well reformed and steps will be taken to improve their cultivation, then it is quite possible that they will save the money. The result will then easily be known and the extra amount will be deposited in banks.
2567. 80. At present nothing can be known but the reforms may be introduced according to the reply to question No. 79.
2568. 81. As there are no reforms according to reply to question No. 79, therefore any money which the people have with them is used in buying gold, etc. When the reforms will be introduced, they will have their connection with the banks.
2569. 82. As there are no co-operative societies in this district so the public spend the money on marriages and death ceremonies, etc. In case of there being co-operative societies, the public will save much.
2570. 83. Some *zamindars* give their produce on debt and sometimes the people take one maund of harvest for Rs. 20 on interest as they have no money.
2571. 84. The people are pleased with the abolition of the duty on cheques. In case banks are opened the public will like to take cheques instead of cash and every person will open his account in the bank.
2572. 85. Education is the only means of profitable spending and saving money by trade.
2573. 86. Now the pensioners, Government servants, court of wards and provident fund money is deposited in postal savings banks but in case of banking system the people will transfer their account to such banks.
2574. 87. I do not know.
2575. 88. The condition of the public will improve when they will be more educated and stop to take interest.
2576. 89. to 91. No.
2577. 92. The system can be popularised by expansion of education.
2578. 93. Branches of the Imperial Bank should be opened in this district, as there are none at present. The public of the place where there are such branches have enjoyed much benefit. The existence of banks will provide facility to the *zamindars*, the income-tax payers and other persons, etc.
2579. 94. There is no bank except native banks in this district. It is very essential to open co-operative societies and Imperial Bank's branch.
2580. 95. There should be branches of Imperial Bank at Kohat, Terri, Hangu, Thall, Bahadar Khel, Karak.

*Syed Mohd. Ashraf.*

# WRITTEN REPLIES TO THE QUESTIONNAIRE.

## BANKS.

### Mr. A. McINNES, C/o Imperial Bank of India, Peshawar Cantonment.

[*Note.*—The views expressed in this note are not given by Mr. McInnes in his official capacity as Agent of the Imperial Bank of India, but in his private capacity as a practical banker.]

#### B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2581. 12. Peshawar is not a large grain producing district, and in addition to the crop harvested, imports of this commodity are received from the Punjab to meet the demand for local consumption. There are no large stocks stored in Peshawar in consequence, and any small demand for finance is met by the local shroffs. The usual security taken by the shroff for such advances is a demand promissory note bearing one name only, *i.e.*, the name of the borrower.

2582. The cotton crop is very small, and this year the owners of the 3 ginning factories in Peshawar have not considered it advisable to open their factories.

#### F.—RURAL CO-OPERATION.

2583. 41. There is only one co-operative credit society in Peshawar, *viz.*, the Civil Employees' Co-operative Credit Society. This society receives money on deposit and grants loans to its members.

#### H.—TRANSBORDER TRADE.

2584. 54. Most of the firms in Peshawar trading with Afghanistan have branches in Kabul and other important centres. The goods, *viz.*, china, tea, piece-goods, sugar, etc., are despatched to these branches who arrange for their sale for cash or exchange for hides, skins, carpets, and dried fruits. The finance for this trade is supplied partly by the local banks and partly by shroffs. The rates naturally vary according to the demand for finance, but in the busy season, *i.e.*, October till March, the usual rates charged are from 7 per cent. to 9 per cent. The finance for the export of skins, hides and carpets to Europe and America is supplied by the exchange and joint stock banks who purchase bills of exchange drawn by local firms on merchants in those countries. The Imperial Bank of India is restricted by the Imperial Bank of India Act from transacting this class of business.

#### I.—INDIGENOUS BANKERS AND MONEY-LENDERS.

2585. 60. The usual method of granting loans by indigenous bankers is by taking a promissory note, payable on demand, from the borrower.

2586. 61. The indigenous banker provides himself with funds by accepting money on fixed deposit.

2587. 62. The rates allowed by shroffs for fixed deposits vary in the different seasons. They will pay up to 6 per cent. for funds in the busy season, October to March, but only from  $4\frac{1}{2}$  per cent. to 5 per cent. during the summer months, when trade is slack, and there is little demand for finance. A fixed rate of 5 per cent. is usually granted by them for 12 months deposits. I am unable to form any estimate as to the extent of the deposits taken by the shroffs in Peshawar.

2588. 63. No prejudice appears to exist locally against the indigenous bankers. Their dealings with their constituents appear to be conducted on sound business lines.
2589. 70. *Hundis* are purchased and sold in the bazar during the slack season, i.e., April to September, at from 6 per cent. to 8 per cent. and during the busy season, October to March, at from 7 per cent. to 9 per cent.
2590. 77. The habit of investing in gold and silver ornaments is still largely indulged in throughout India, but I am of opinion that in the towns where banks are established, the habit is on the decrease, as the town dweller realises that he can obtain a better return by investing his spare funds with the banks, who cater for all classes of the community.
2591. 84. The abolition of stamp duty on cheques has not, in my opinion, been responsible for the growth of the cheque habit to any very large extent. The cheque habit is confined mainly to merchants, shopkeepers, shroffs and employees of Government and commercial concerns. I do not suggest that the payment of Government servants and bank employees, who draw salaries of over Rs. 100, by cheque would promote the growth of the cheque habit.
2592. 85. I support the view that the banking and investment habit in India is of very slow growth.
2593. 86. Post office cash certificates are popular in this district. The middle classes resort to this form of investment.
2594. 89. There is no doubt that the sale of Post Office Cash Certificates and Treasury Bills at their attractive rates affect the deposits of banks.
2595. 90. Every facility is afforded to the public for the purchase and sale of Government securities by the Imperial Bank of India.
2596. 91. There are no stock or share brokers in Peshawar, and this class of business is done entirely by the banks.
2597. 94. I consider the banking resources in Peshawar are adequate.

### **Manager, The Punjab National Bank, Peshawar City.**

2598. 55. Mostly the Hindu community practise indigenous banking in Peshawar and Mohamedans also do take part in money-lending to a very small extent.
2599. 56. In Peshawar City indigenous bankers receive deposits as current accounts and lend money. Some are concerned only with receiving deposits and lending money, while others besides this business do trade in piece-goods, grains, sugar and cotton to a great extent. In my opinion not more than 10 per cent. live mainly on money-lending.
2600. 60. The bankers in Peshawar City usually give loans to respectable traders ranging from two to six per cent. on pro-note and *hundis* which are payable 30 to 180 days after sight. They do allow overdrafts sometimes to their regular clients, who usually deposit money with them.
2601. 61. In Peshawar City when bankers run short of their funds to meet the demands of their creditors, or when their money is locked up otherwise, they go to joint stock banks or Imperial Bank of India and get the loans from these banks, where they have already arranged credit facilities.

*Manager, The Punjab National Bank, Peshawar City.*

2602. 66. The indigenous bankers and money-lenders cannot meet all demands for accommodations sometimes on account of un-acceptable nature of the security offered, and sometimes on account of insufficiency of their working capital.

2603. 67. For internal remittances three sorts of machineries are brought into operation, *viz.*, *hundis* or bills of exchange issued by bankers on their outstation agents, who are called *artias*, and drafts issued by joint stock banks on their own offices abroad; while the third machinery is telegraphic transfer which is effected through the joint stock banks and the Imperial Bank of India.

2604. 70. In Peshawar the *hundi* rate varies in winter and summer seasons. In summer the rate usually remains at 6 per cent. per annum while in winter it goes up to 9 per cent. The Imperial Bank *hundi* rate does affect these rates to a very great extent.

2605. With reference to my interview with Prof. H. L. Chablani, one of the members of the Committee, and the information required by him, I state as under:—

The interest allowed on fixed deposits for short terms from November to March and some time up to May, has been six per cent. for a period of two to six months deposits of over ten thousand rupees.

The proportion of finance bills to genuine trade bills that pass through this office is 1 to 10 per cent.

The summer season, when the business is slack in Peshawar, begins in May and ends in September and in this period also this office does not get any deposit from the indigenous bankers with the exception of a very few who do not receive any deposit from public and lend out their own capital in winter season, while great many others who do receive deposits and beside lending of money take part in trade, invest their spare funds in Bombay and Karachi in summer season. The investment of this branch is as under:—

Mortgages	..	..	..	7½ per cent.
Overdrafts and cash credits	..	..	..	38 „
Personal pro-notes	..	..	..	19 „
Jewellery and fixed deposit	..	..	..	14½ „
Foreign bills	..	..	..	9½ „
Demand drafts	..	..	..	12½ „

2606. Drawings on Bombay of this office exceed the remittances while remittances to Calcutta, Amritsar and Cawnpore exceed drawings. The names of bankers working in Peshawar City whom I know are as under:—

Dewan Chand Gobind Ram.	}	They receive deposits as well.
Amir Chand Lakhmi Chand.		
Narain Das Chela Ram.		
Sidharam Dulichand.		
Kishendass Gobindlal.		
Wasanda Ram Balkishen.	}	They lend out their own money.
Rai Bahadur Karam Chand,		
O.B.E.		
Haji Safdar Ali.		

As far as my knowledge goes they hold deposits far in excess of their capital and some of the bankers are holding much more deposits than the joint stock banks working here and the proportion of deposit may be 60 per cent. with the bankers, while 40 per cent. with joint stock banks.

## 2697. PUNJAB NATIONAL BANK, LIMITED, PESHAWAR CITY.

## Monthly balance of Fixed Deposits and Current Accounts.

Name of month.	1913 and 1914 Fixed Deposit.	1913 and 1914 Current Acct.	1915 and 1919 Fixed Deposit.	1915 and 1919 Current Acct.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
January ... ..	1,97,995 6 5	12,135 6 3	94,429 15 0	32,525 5 3
February ... ..	5,01,678 5 0	15,779 11 11	1,03,501 2 6	61,991 13 0
March ... ..	5,10,261 3 9	14,661 0 5	1,63,171 13 2	53,553 7 0
April... ..	5,21,211 9 5	15,621 4 9	1,11,285 7 11	62,591 1 10
May ... ..	5,23,159 2 3	11,721 15 5	1,03,029 11 7	77,013 1 8
June ... ..	5,20,610 1 9	9,13 11 7	91,977 12 0	89,748 0 10
July ... ..	5,26,722 5 6	14,519 1 5	91,652 10 5	1,00,19. 11 2
August ... ..	5,31,913 8 11	11,702 9 5	91,515 13 9	63,506 6 0
September ... ..	5,11,857 1 1	6,756 9 3	95,037 15 8	77,456 3 10
October ... ..	5,15,671 8 1	5,47 5 1	97,051 15 5	82,106 15 0
November ... ..	1,47,172 7 10	711 0 10	1,16,258 11 5	84,072 10 2
December ... ..	1,17,843 3 5	179 0 3	1,79,911 0 7	76,329 13 2
1914.				
January ... ..	1,69,243 10 10	3,037 14 2	2,01,217 6 11	19,753 2
February ... ..	2,02,165 2 0	13,811 9 9	2,10,029 13 7	90,067 5 0
March ... ..	2,19,992 7 6	7,525 7 0	2,22,612 11 2	49,621 2 3
April... ..	3,37,115 12 11	11,059 7 11	2,24,539 4 5	90,133 1 9
May ... ..	2,83,025 15 5	13,651 11 4	2,40,028 9 7	87,826 15 11
June ... ..	2,40,301 5 2	11,618 1 2	2,14,363 10 10	1,38,621 6 11
July ... ..	2,14,051 11 2	10,119 2 6	1,97,301 12 3	1,11,056 7 1
August ... ..	2,05,111 15 4	10,703 11 2	2,17,130 8 1	77,873 9 3
September ... ..	1,64,995 15 11	5,096 15 8	2,39,631 1 2	71,199 19 5
October ... ..	1,11,627 6 5	11,871 11 2	2,37,835 14 10	61,568 8 9
November ... ..	1,59,758 5 9	18,847 2 0	2,45,016 1 9	87,738 9 6
December ... ..	1,59,689 10 9	4,727 15 1	2,75,097 12 10	55,411 2 5

Manager, The Punjab National Bank, Peshawar City.



## PUNJAB NATIONAL BANK, LIMITED, PESHAWAR CITY.

## Monthly balance of Fixed Deposits and Current Accounts.

Name of month.	1921 and 1922 Fixed Deposit.			1921 and 1922 Current Acct.			1923 and 1924 Fixed Deposit.			1923 and 1924 Current Acct.		
	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.	Rs.	a.	p.
January ... ..	1,65,876	4	0	1,58,124	15	7	9,99,171	12	6	91,002	13	11
February ... ..	4,91,313	0	7	1,54,302	0	0	10,26,584	14	2	65,010	2	5
March ... ..	5,26,169	10	10	1,53,704	13	3	10,55,081	10	5	80,608	4	9
April... ..	5,60,115	3	0	1,91,214	2	3	10,81,365	7	3	70,498	12	11
May ... ..	5,60,280	5	6	3,80,132	5	9	10,10,154	10	11	83,886	15	4
June ... ..	6,69,550	0	6	2,21,078	12	11	9,29,002	5	5	90,417	7	0
July ... ..	6,91,777	1	1	4,60,570	15	5	8,90,016	5	6	1,57,570	0	5
August ... ..	6,77,079	5	3	5,72,050	10	11	8,37,830	11	4	1,40,115	2	6
September ... ..	7,21,019	13	6	2,58,705	1	11	8,54,356	11	2	1,14,157	10	1
October ... ..	7,00,553	11	8	1,91,894	12	3	8,49,175	12	7	99,384	7	3
November ... ..	7,29,186	12	7	1,26,487	15	7	8,26,479	12	7	1,20,539	4	1
December ... ..	7,35,520	9	9	1,16,883	1	2	8,26,101	3	1	1,02,823	1	7
1911.												
January ... ..	7,48,266	5	10	1,59,885	0	1	8,10,775	10	2	91,468	7	0
February ... ..	7,10,928	7	6	1,35,502	14	8	8,27,890	6	3	91,200	12	6
March ... ..	7,00,020	5	4	1,38,845	15	1	8,20,616	13	6	90,552	5	5
April... ..	8,20,971	8	7	1,50,553	0	5	8,41,990	8	2	20,565	6	5
May ... ..	8,73,770	7	8	1,14,804	6	4	8,42,633	5	2	91,756	10	7
June ... ..	9,66,818	6	4	1,29,191	0	0	8,49,364	6	2	1,23,770	7	5
July ... ..	10,15,059	10	1	1,11,174	4	8	8,31,424	14	1	1,25,316	11	7
August ... ..	10,09,230	1	11	2,27,787	11	7	8,33,295	12	2	1,22,832	12	7
September ... ..	10,36,840	12	4	1,53,996	0	9	8,55,236	2	3	1,05,320	14	3
October ... ..	10,20,058	2	11	1,02,437	5	7	8,36,376	1	3	88,741	13	1
November ... ..	9,35,615	9	5	1,30,695	13	10	9,03,505	10	0	64,420	15	8
December ... ..	9,50,127	0	9	1,35,436	10	4	9,30,415	10	0	1,02,746	15	5

## PUNJAB NATIONAL BANK, LIMITED, PESHAWAR CITY.

## Monthly balance of Fixed Deposits and Current Accounts.

Name of month.				1925 and 1926 Fixed Deposit.	1925 and 1926 Current Acct.	1927 and 1928 Fixed Deposit.	1927 and 1928 Current Acct.
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
January	...	...	...	9,14,517 13 10	29,470 2 2	9,43,437 0 10	2,02,469 0 7
February	...	...	...	9,12,179 6 5	55,560 10 3	11,28,437 9 6	1,81,597 7 9
March	...	...	...	9,20,693 11 10	79,661 4 5	11,49,941 14 6	1,96,492 12 2
April	...	...	...	9,51,437 8 0	1,08,398 1 7	11,48,356 4 0	2,09,404 3 4
May	...	...	...	9,38,145 2 5	1,06,376 13 10	11,42,644 13 0	1,56,282 15 0
June	...	...	...	9,48,495 5 2	1,31,009 4 1	11,49,926 6 8	2,54,474 5 11
July	...	...	...	9,42,323 12 10	1,44,361 7 1	11,03,339 6 4	3,89,274 7 5
August	...	...	...	9,34,780 10 0	1,79,002 1 9	11,10,293 2 0	3,22,189 13 10
September	...	...	...	9,54,376 1 3	1,35,342 3 1	11,32,465 14 11	3,69,191 2 0
October	...	...	...	9,43,346 10 0	71,788 6 6	11,42,673 13 8	3,01,180 1 7
November	...	...	...	9,57,717 6 5	1,24,966 14 5	11,03,750 14 0	1,85,086 8 7
December	...	...	...	11,53,273 10 8	1,75,713 8 5	11,04,229 15 3	1,67,994 10 2
1914.							
January	...	...	...	12,51,424 11 9	1,38,760 7 4	11,06,209 0 2	1,61,665 7 4
February	...	...	...	11,27,154 11 9	1,75,877 3 10	11,39,165 11 4	1,53,811 13 6
March	...	...	...	10,71,562 12 9	1,77,258 9 5	11,50,087 13 9	3,41,189 5 1
April	...	...	...	10,18,030 4 9	2,00,364 13 1	11,32,744 8 2	3,40,893 8 10
May	...	...	...	9,74,194 4 9	1,78,044 13 1	10,96,170 12 2	2,95,340 1 1
June	...	...	...	9,91,117 6 11	1,89,949 2 3	11,01,318 10 3	3,89,285 10 9
July	...	...	...	9,90,909 7 8	2,00,320 5 9	11,30,726 1 4	3,56,105 12 5
August	...	...	...	10,08,201 2 5	1,41,022 0 8	11,31,909 5 10	2,52,756 5 7
September	...	...	...	9,54,336 1 2	1,62,319 5 8	10,98,157 15 11	2,32,966 5 3
October	...	...	...	9,13,639 11 6	1,77,649 0 9	11,56,609 11 2	1,37,388 1 8
November	...	...	...	9,20,500 3 7	1,94,275 3 10	11,59,944 10 11	1,27,638 9 2
December	...	...	...	9,28,394 2 4	3,84,360 3 4	11,90,913 3 6	1,70,056 3 2

Manager, The Punjab National Bank, Peshawar City.

## Rai Sahib CHU<sup>2</sup>AR LAL, Banker, Abbottabad.

2608. 1. I am not in a position to give any definite information but debts are obviously incurred for various purposes enumerated in (a) to (n). These debts are due, when unsecured, generally to non-agricultural classes and on mortgages to *zamindars*. A portion of it may be due to co-operative societies. The borrowers are generally agriculturist traders in rural areas and traders in urban areas.

2609. 2. The rate of interest varies from 9 per cent. in the case of traders to 12 per cent. in the case of unsecured loans to agriculturists. Debts from traders are recovered, as a rule, without much difficulty but it is extremely difficult to recover debts from the agriculturists, except in the case of loans advanced by *zamindars* on the security of land.

2610. 3. The existing legislation and legal procedure are extremely defective and afford almost no help for the recovery of loans from agriculturists. Section 60 of the Criminal Procedure Code, the Land Alienation Act and the Insolvency Act afford almost a complete protection to the agriculturists against the recovery of debts from them.

2611. 4. It is a correct statement of facts.

2612. 5. I am not aware of the facts stated therein.

2613. 6. Does not arise.

2614. 7. I am not aware, but it is very likely.

2615. 8. The transborder *Pathan* is the most hard-hearted money lender that India has ever seen.

2616. 9. Frequent use is made of the Usurious Loans Act. Any further insistence on its use will lead to an abuse of the Act.

2617. 10. I do not think that any case is made out for any legislation for the regulation of the accounts of money-lenders. The great outcry in the Jammu and Kashmir State is sufficient proof of the injurious effects and misuse of such a legislation.

2618. 11. I cannot throw any light on this matter.

2619. 12. I have not much knowledge of the village life but I believe that the village money-lender is the mainstay of the villagers particularly of the peasant proprietor. A good deal of loans is obtained in kind, particularly seed. As regards the rate of interest I do not think that they are excessive considering that the money-lenders have little or no security.

2620. 25 and 26. Every one would be anxious to have long term loans but it is difficult to obtain long term loans without sufficient security which is seldom forthcoming except when the lender is an agriculturist.

2621. 29. The chief legal impediments are the Land Alienation Act and the Insolvency Act. Those who can afford to lend as a rule cannot secure their loans on mortgage while those who can, have little to lend unless they happen to be big *zamindars*.

2622. 31. I don't think there is any mortgage bank in this province.

2623. 32. Such banks would be useful if the money-lenders and big *zamindars* of the locality could be associated with such banks. It would be very helpful if the Government could also take up debentures or purchase a part of the capital under proper safeguards.

2624. 33. Mortgage banks lend money on the mortgage of house and landed property and for the latter the provisions of the Land Alienation Act will have to be relaxed.

2625. 34. Land revenue and productivity of the land.
2626. 35. Government's own representatives on the Board as directors and its own auditors to audit the accounts, if necessary.
2627. 36. The revenue records are certainly very cumbersome and the system does require some improvement. For a layman it is impossible to follow the methods of revenue entries.
2628. 37. One method is that the personal security of two, three or even more persons may be taken for a very long term loan.
2629. 38, 39 and 40. Co-operation between traders and agricultural classes should be encouraged otherwise it is impossible to encourage industries subsidiary to agriculture.
2630. 41 to 47. I cannot go into the details but the co-operative credit societies are being run on purely communal lines and they have earned a very bad reputation for themselves as they are being managed by people who are absolutely ignorant of banking and accountancy and frequent cases of misappropriation have occurred. The whole co-operative movement has become obnoxious to the proper money-lenders and trading classes.
2631. 48 and 49. Urban communities are indebted and though in big towns there are banking facilities, the rate of interest on unsecured loans is high ranging from  $8\frac{1}{2}$  to 12 per cent. as a rule.
2632. 50. The co-operative movement has not succeeded in meeting the financial needs of the small traders at all nor of the industrialists, whether on a small or on a large scale.
2633. 51. Co-operative movement should be extended in order to include the urban and trading classes within its province.
2634. 52. Export and import trades have been assisted by exchange banks and partly by joint stock banks but this business is mostly confined to European banks.
2635. 55. Indigenous banking and money-lending is run practically by *Khatris*, *Ahoras* and *baniyas* but *zamindars* are now rapidly coming up and are proving worse than the proverbial *bania* both in regard to the rate of interest and to the method of extorting repayment. The money-lender in the rural area has hardly any banking facility, the system being that a smaller money lender can only fall back upon a bigger money-lender.
2636. 58. There are no indigenous bankers in our province. The Imperial Bank and some joint stocks banks in the Punjab have got their branches in our province. The banking facilities are not at all adequate. The credit given by the Imperial Bank is extremely restricted.
2637. 59. In my province the negotiable instruments are not very much in use.
2638. 60. Cash credits are practically unknown. Loans are given for certain periods but private money-lending is declining on account of the difficulties of recovery of loans.
2639. 61. Indigenous bankers borrow from one another and sometimes receive deposits from private persons. It is very seldom that they get accommodation from joint stock banks.
2640. 62. The rates of deposits vary from 6 per cent. to 9 per cent.
2641. 63. The rate of interest paid by agricultural community varies from 9 per cent. to 24 per cent. Rates can be brought down only by

increasing the security of the loans. Bad security always means higher rate of interest. Reduction in rates will certainly benefit the agriculturists.

2642. 64. Artificial prejudice has been created against the indigenous bankers by the foolish and vituperative preachers of the co-operative movements.

2643. 55. An indigenous money-lender hardly gets more than 9 per cent. on his loans as his net gains and if his capital is a borrowed one his gain is very small indeed. Many private banks have failed since 1920 but I can't give their names.

2644. 66. The indigenous bankers and money-lenders cannot supply all the needs of the borrowers except of the petty borrowers in villages.

2645. 67. There are no facilities for internal remittance open to the indigenous bankers except in big towns where *hundis* are freely exchanged.

2646. 68. In towns the negotiable instruments have done a lot for facilitating credit and remittances but such a thing is unknown in the villages.

2647. 69. I do not think that there is much surplus in the hands of indigenous banks.

2648. 70. If by some organisation they could be made to pool their resources their lending power would certainly increase to a certain extent.

2649. 71. There is not much business done in *hundis* in my town.

2650. 72. I can't throw any light on it.

2651. 73. I have already stated that some organisations enabling them to pool their resources would be very useful.

2652. 74. The indigenous banking community would not tolerate any interference with the method of their keeping accounts nor to giving an undue publicity to their borrowings.

2653. 75. I cannot suggest any definite means but if it could be done it would be very useful.

2654. 78. I would leave these to experts

2655. 79. Not much.

2656. 80. No.

2657. 81. The habit of hoarding silver and gold is going down. I cannot estimate.

2658. 82. The establishment of co-operative societies has possibly done something to induce people to deposit their surplus in the banks but in the villages there is hardly any surplus. The cheque habit is growing and is very convenient and useful. As regards the vernacular scripts in banking I think under the present system of Government it would almost be impossible to dispense with English if the banking of all the provinces is to be linked up.

2659. 85. I think it is right. The slow growth has been due to lack of faith in the stability of Government and to lack of understanding and also to the difficulties of realization.

2660. 63. I have nothing to say. I don't think much use is being made of Postal Cash Certificates in my province.

2661. 87. I know nothing about the National Saving movement in England but certainly any device to secure a saving habit among the people would be very useful.

2662. 89. Certainly, the Government is competing with banking institutions and bankers in regard to deposits and investments.

2663. 90. I do not think that there is any difficulty in purchasing and selling of Government securities but many people have been ruined by the fluctuations of prices in Government securities and one way of popularizing Government securities and encouraging the investments among the people is so to arrange the various government loans that securities of one kind may be exchanged at par with the security of another order newly issued.

2664. 91. The work is being done particularly through the banks. There is no stock exchange in our province.

2665. 92. I have nothing to say.

2666. 93. The fact of the opening of the branches of the Imperial Bank all over the country has been helpful to a certain extent to big merchants and factory owners but of hardly any use to small traders. It has done an immense harm to the existing joint stock banks, as it has practically thrown them out of competition.

2667. 94. There are very few existing banking resources in our province. I do not think them adequate.

2668. 95. I think such institutions can hardly be opened in our province in places other than those already possessing them.

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## PRIVATE INDIVIDUALS, ETC.

**Khan Bahadur NAWAB HAMID ULLAH KHAN of Toru (Mardan Tehsil).**

### SECTION A.

2669. 1. The present total indebtedness of the village amounts to about Rs. 1,20,000. The greater portion of the money borrowed by the land holders is got from the village *Khans*, and the other well-to-do *zamindars* against the security of land or houses.

2670. It is fortunate that the amount of secured debts is much higher than that of the unsecured, the proportion is that of Rs. 90,000 to Rs. 30,000. The village money-lenders also play a very important part in financing agriculture; they supply money for agricultural purposes, domestic wants and the ceremonial expenses at compound interest. None of the money-lenders make any distinction between capital required for productive purposes and money needed for ordinary household expenditure, but this much is certain that the proportion between the money borrowed for productive purposes and that borrowed for ordinary expenditure is considerably low. The loans on interest are generally contracted by the villagers for marriages, funeral ceremonies, litigations, land revenue, purchase of cattle and repayment of *takavi*. It is only in rare cases when the adjacent plot of land is to be sold at a reasonable price that a *zamindar* borrows money for its purchase.

*Nawab Hamid Ullah Khan.*



cent. per annum. But this can be safely considered as an exception rather than the rule. As a general rule it may be said that loan in cash doubles itself in three years, while loan in kind doubles itself in two. But at the same time it should not be forgotten that this represents the nominal rather than the real rate of interest, for they (*i.e.*, the non-agriculturists) augment their incomes by various sorts of tricks, some of which are the following:—

- (a) Interest for one month is deducted from the sum lent and interest is charged on the whole and the debtor is forced to acknowledge the receipt of the whole.
- (b) The grain is doled out for food in cold weather and repayment is taken a few months later with 50 per cent. of interest.
- (c) The money-lenders obtain bonds on false pretences, they give no receipts for the payment and afterwards deny them, enter larger sums than actually lent out and under the threats of warrants and imprisonment manage to get fresh bonds.
- (d) The accounts are kept in such a loose and unintelligible form that it becomes impossible for one to separate the interest from the principal.

2678. This is not all. There are also many other ways of exploiting the poor, needy and ignorant *zamindars*. There are shopkeepers in the village, who would buy future crops. Supposing the expected rate of wheat is Rs. 5-8-0 per maund, a local shopkeeper would lend money to a *zamindar* with a bond from him to supply a specified number of maunds of wheat at the rate of Rs. 4 a maund at the next harvest. But the rapacious money-lenders are not content with the above described rates; if the lender is a shopkeeper and the money is borrowed for funeral, marriages or other such ceremonies, he is sure to wring a promise out of the borrowers to buy all their requirements from his shop, and then by supplying inferior and adulterated things at the price of pure and un-adulterated articles, he further ransacks the poor, needy people. But the matter does not end even there, for the borrowers have to flatter the 'Shylocks' and have to offer these blood-suckers from time to time some vegetables from their land accompanied with a little amount of butter or *ghee*, while the borrower thinks himself in duty bound to supply fodder for the lenders' cow at least once or twice a week.

2679. Numerous other tricks are played to baffle the illiterate *zamindars* but the *zamindar* though illiterate is able at times to understand the tricks of the cunning money-lender, but cleverness avails little in face of necessity, he sees the ways in which he is enmeshed, but he is helpless; he is to get seed for his land, he must buy cattle to plough his field and work the water wheel, he has to pay the land revenue and has also to perform extravagant social customs and ceremonies, which for him are more sacred than any law.

2680. No doubt a part of the interest is due to the element of risk, but even where the security is good and the borrower a trustworthy person, the rate charged is unreasonably high.

2681. As regards the agriculturist money-lenders they have their own ways of investing their money on lines well paying, though less lucrative than those adopted by *sahukars*. They invest their money on mortgages of land. It is often agreed between the mortgagor and the mortgagee that the latter will accept the piece of land on lease for a certain specified number of years at a certain rate; and in the bond the

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amount of the lease-money for the period agreed upon is added to the principal and the whole sum is shown as *qarz-i-hassana* payable at a certain specified time and in case of default the lender is authorised by the bond to lay his hands on the piece of land given in security. Such investments bring an income of about 12 per cent. per annum. This method is thought to be the best for raising long period loans, for it excludes all risks in the case of lenders and for the borrower it supplies money at much lower rates.

2682. When the crops are destroyed by floods, droughts or pestilence, Government also grants loans under the Agriculturists Loans Act; but they are not popular as they insist on a regular repayment, while the money-lender is agreeable to wait. Under normal circumstances, money-lenders will try to extend the period and thus allow the sum to multiply itself but he becomes very strict when the amount reaches the limit of insecurity. As a rule he would not allow it to extend over five years. Whether he presses for the repayment of the principal or remains satisfied with the sum going on multiplying itself ordinarily depends upon his judgment of several elements in his business. The credit of the borrower may be good or deteriorating, he may know of a better investment for his money, or the lender from whom he himself had raised the money may be pressing him (lender) for the repayment.

2683. The position of the money-lenders is greatly secured and strengthened by the advent of the British Raj, for which the establishment of the civil courts began the reign of the money-lender. Various acts have been passed by the local Governments but the only effective of them is the Land Alienation Act, which has proved the *Magna Carta* of the Indian Peasants, most of the other acts, such as *Kamiauti* Agreement Act in Bihar and Orissa, Deccan Agricultural Relief Act, Usurious Loans Act of 1918 as amended in 1926, have proved to be quite ineffective. I hope, if adequate steps are taken to find out the cause of their failure and their provisions are strictly enforced, the country would be relieved of some of the worst evils of the uncontrolled usury.

2684. I think the money-lenders act in its revised form or the Money Lenders Act of 1927 passed by the British Parliament against usury, needs serious consideration. It provides *inter-alia* that all money-lenders should take out a license, that compound interest shall be prohibited and that money-lenders shall, on demand by the borrower, supply information relating to the state of the loan, and also copies of documents relating thereto.

2685. Another difficulty in the way of enforcing the law is the illiteracy of the people. The law limits the responsibility for the father's loan only to the proportion of the property received, but this law is seldom availed of. It is considered as a debt of honour and a promissory note is given without the least hesitation and thus they bind themselves to the loan, from which the law of the land exonerates them. But as the present rural Insolvency Act is not without defects, limitations and technical difficulties, it will be, I hope, worthwhile for the Government to pass a simple Insolvency Act, which will give those who have given up all their assets, the right to earn their living if they can and thus be made free to make a new start in life.

2686. I think it will be further advantageous both to the lenders and the borrowers if conciliation boards are formed in different ~~districts~~ or special officers appointed in places, where the ~~burden~~ is unusually heavy.

*Labour in lieu of interest.*

2687. The condition of the *Kamins* and poor classes, who have borrowed is worse than that of any other class. They become the bound servants of their masters and in lieu of the interest due on the loan, they bind themselves to perform whatever menial services are required of them. The wages given them are much lower than those of the free labourer and they can work for others only when their services are not wanted by their masters. The wife of the *kamin* debtor has often to work in the house of the lender and in return is given meals, the worn-out clothes and at times, though rarely, an anna or two.

2688. In some villages of the North-West Frontier Province there is found a good number of such persons, who in order to extricate themselves from the meshes of the *sahukars* have gone to the *Khans* of the village and have borrowed from them and in lieu of the interest due on the loans, they have bound themselves to serve their lenders as *chowkidars* on every alternate night until they pay off the debts, but as they have few chances of repaying their debts and becoming free men, the debts pass on from father to son and so to say become hereditary.

2689. The condition of the village artisans is no better than the above mentioned classes, the unsound method of financing them has led to their complete "Economic Servitude" for the artisans in debt to the local shopkeepers have to sell them their finished goods at prices which do not leave them (artisans) anything above a bare subsistence of life; it has cumulative effect on them and their offsprings who have to start from a lower rung of the ladder and are less able and efficient to withstand either the money-lenders or an evil day.

*Effects on the borrower.*

2690. The effect on the borrower is anything but healthy, it degrades and demoralises him and renders him weaker to face the years of scarcity, loss of cattle or any other adverse circumstances, it turns him into an inefficient worker, he is not able to buy good seed, keep strong cattle, and supply ample manure to his land and hence reaps a bad harvest and unless he is a very fortunate and hardworking man, he will be yearly becoming worse as the debt is often incurred for unproductive purposes it does not create the means of its own repayment. It saps his vitality and ultimately ruins him.

2691. In this connection it is important to note Prof. Gide's remarks. "Credit", says Professor Gide, "holds up the land-owner as the rope holds up the hanged man". Out of 742 families examined by Mr. Thorburn in 1896, only in 13 cases did an involved man recover his freedom.

2692. The effect on the artisans and the *kamins* is even worse, they become bound to their masters for ever.

2693. It has led to the "Economic Servitude" of the artisan, who has to work for life for the capitalist to whom he is indebted. The lender supplies raw materials and receives the finished articles at prices much below their market values, which means all incentive to work hard and acquired skill vanishes. It has converted many land-owners into tenants and labourers and has sometimes resulted in the loss of work.

2694. I think legislation with regard to publication and regulation of accounts cannot be too highly valued. It is sure to improve the matter to a great extent. In this line I would recommend as I have

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already suggested the consideration of the "Punjab Money Lenders' Bill" in its revised form or the act passed by the British Parliament in 1927. I hope if the provisions of this bill are strictly enforced it will ensure fair transactions between the lenders and *zamindars* to a much greater extent. This is suggested as an immediate step, while I think the real remedy lies in the development of healthy co-operative movement and education of the masses.

### *Usurious Loans Act.*

2695. It is not availed of in this province to any appreciable extent. It may be due to the influence exercised by the money-lending classes against the uninfluential *zamindars*. In most cases the judges are afraid of the propaganda due to the combined efforts of the money-lenders who as a class are better organized than the debtors.

2696. There are no arbitration boards or *panchayats* here and to get their cases decided the money-lenders often hurry to the civil courts, where they are sure that the magistrate would not go behind the contract and that the weapon of the Usurious Act will not be wielded against them. In a few cases, the borrower goes to the headman of the village and requests him to ask the lender to settle his accounts with the borrower and to persuade the former to give up at least a fraction of the money wrongly entered in the accounts. The headman often tries his best to reconcile the parties, but his decision is seldom accepted by the lenders, for the blood thirsty "Shylock" would not leave his pound of flesh.

### SECTION B.

#### *Financing of agricultural production.*

2697. The agriculturists are mainly financed by the local money-lenders, all of whom are also running their shops in the village. But such loans are also supplemented by the loans from Government under the provisions of Agriculturists Loans Act, and the Land Improvement Loans Act. Such loans are often secured by the influential and educated people, but the poorer classes who have the most urgent need of such loans and who according to the provisions of the acts form the most deserving classes seldom get anything from this source. The expenses during cultivation are almost entirely met by loans from the local money-lenders or by getting money through mortgaging lands to fellow *zamindars*, who happen to be better off. The same applies to the raising of money for seed and revenue purposes, but in the years of floods, droughts and other abnormal conditions *takari* loans are granted more freely. *Takari* loan is often raised on the pretence of putting it to productive uses but it is generally wasted by observing social customs and ceremonies and at times in settling the accounts with the money-lenders. The above holds true of all the classes excepting the well educated *Khans*.

2698. As stated before, so far little has been done by the joint stock banks or the Imperial Bank of India, which would not advance money against the immoveable property or grant loans against personal security to any appreciable extent. It is also not the policy of the Bank to lend money for longer periods than six months.

2699. *Takari*.—This and the other forms of Government loans have not as yet played an important part in financing the agriculturist. They

insist on a regular repayment, while the money-lender is willing to wait. Moreover it is not easy to get the loan, one has to go to the officer in charge for weeks and weeks together with a request the grant of which is in no case certain.

2700. One has to humour the *misal khwan* and the *munshis* (reader and the clerks) too, while the *chaprasi* cannot be safely ignored. On the other hand a visit to the money-lender's shop and a bond, which seldom takes more than a few minutes finishes the matter for the time being.

2701. Complaints are often made by the people of the delay in the grant of Government loans, but it should also be borne in mind that no system of Government loans can be as elastic as that of money-lenders, for while the one desires to keep his clients free of debts and wishes them prosperity, the other strives to keep them in debt and get out of them as much as they possibly can. Though I for my own part admit that great abuses may crop up with the increased elasticity of the system, yet I cannot deny the fact that the system is too rigid at present and should be made a little more elastic.

2702. There is no co-ordination between the various financing agencies; each of them is running its business quite independent of the other.

2703. The present system of financing, e.g., agriculture is full of defects.

(a) The money-lender thinks of nothing else beyond his own gains and encourages extravagance and contraction of loans for unproductive purposes, he makes no distinction between the productive and unproductive loans and interest in both the cases is equally exorbitant.

(b) It has stood in the way of the villagers in improving their lands by sinking wells or erecting fences, for under the present system such investments would not repay. It has also prevented the introduction of scientific machinery and the use of better implements such as *rajahs* and *mastan ploughs*.

(c) The present system does not allow the *zamindars* to launch in adventures and thus become more enterprising. He cannot profitably buy handy machines for the use of subsidiary industry and thus to have a second string to his bow, which will protect him against rainy days.

#### *Remedies.*

2704. With all the above mentioned drawbacks, defects and shortcomings the situation is far from irrecoverable. The formation of agricultural co-operative credit societies and agricultural banks on a small scale are the crying needs of the time, in addition to the credit granted at a low rate of interest the co-operative societies are the best agencies to infuse in the *zamindars* the sense of brotherhood and to remove the spirit of unnecessary litigation. They are the best fitted agencies to open the eyes of the *zamindars* to the ruinous effect of their social customs, and for removing the waste and introducing thrift and economy. Great progress is possible but unless the lead is taken by the Government and examples set by the headmen the *zamindars* are unfit by their nature to take the initiative. To put the matter in a nut-shell, legislation, education and co-operation are absolutely necessary and the only factors to save the villagers from the clutches of the money-lenders and complete break down.

#### *Industries allied or subsidiary to agriculture.*

2705. There are no industries allied or subsidiary to agriculture to be found in this part of the country on any large scale. The villagers

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have no second string to their bow, they are almost wholly and solely depending on the produce of their lands. Even things like poultry-farming and cattle breeding, in which they have special facilities and which are always and everywhere connected with agriculture, are not practised on any large scale here. The *zamindars*, who have about 200 free days in a year (according to Dr. Lucas's estimate) if anxious to supplement their earnings from the land, would have to shift to the neighbouring cities or towns where they can find work as unskilled labourers, but to leave one's house is an action which the *Pathan* mentality would not allow. The absence of such industries is due to lack of capital, knowledge, initiative and enterprise. I think co-operative credit societies and help from the engineering branch of the agricultural department can render much help, the one would remove the economic servitude of the artisans and by removing the unhealthy atmosphere can greatly increase his efficiency and strengthen him both in mind and body, while the latter can serve best by introducing into the village new ideas and new machinery on hire-purchase-system. The Engineers can make tours in the country-side and teach the artisan how to repair and make the newly introduced scientific implements and tools.

2706. The Government would also do well to increase the number of the technical colleges and provide facilities for the children of the artisans to attend various kinds of workshops and in some cases even to pay stipends to encourage their attendances.

2707. There is one more difficulty. The false pride of a *Pathan-zamindar* does not allow him to have a second string to his bow. To add to his income by plying *charkha* or doing anything of similar nature is considered beneath his dignity. These things are considered to be the work of *kamins* and at present no *zamindar* can take to such industries without injuring his social position.

2708. It is not always the financial difficulty that restrains or prevents *zamindars* from running a subsidiary industry. There are various factors standing in the way of his progress to make his life a success; his whole psychology should be changed and his mental outlook widened. He should be made discontented with his present conditions, so that he should be anxious and desirous of a change in his environments. It is then and only then that he will willingly take to any industry, which promises to pay him for his labour and investment.

2709. The problem at present how to enable the *zamindar* to utilise his spare time and thus add to his income. For this purpose I think the encouragement of the following industries will be most helpful:—

(1) Hand-loom-weaving, (2) Rope-making, (3) Poultry-farming, (4) Cattle-breeding, (5) Oil pressing, (6) Preservation of fruits by drying and turning them into jam.

(1) The first named was of great importance in India's national economy. But unfortunately the competition from machine-made cloth has ruined the industry and has turned many weavers into cultivators, but, if improved looms are introduced, a propaganda started in its favour and an example set by the educated people, something may be done to ameliorate the condition of the *zamindars*. This is an occupation specially suited to the life and capacity of the rural women, who are mostly confined to the four walls of their houses. It can give full employment both to men and women in their free time throughout the year.

This industry is specially recommended for small villages, which are far away from towns and cities and have not been penetrated by roads and railways.

(2) Rope-making industry can be encouraged to meet the local demand. It will be useful both for the buyer and maker; to the former it will save the expenses and the time of going to towns for buying ropes, while to the maker it will give additional income.

(3) *Poultry-farming*.—There are great opportunities for its development, there is a steady growing demand for eggs, both in the local market, in cities and cantonments; a large part of demand is often left unsatisfied. The price of eggs greatly rise in winter, which makes the industry highly paying provided it is well organised and is carried on a large scale.

2710. Producers' co-operative sale societies seem to be most helpful for organising purchase, transport and sale of poultry and eggs, while the agricultural department is the most suitable agency in making experiments and spreading through co-operative societies the results they achieve in the villages; almost the same holds true of the cattle-rearing.

2711. In addition to the above mentioned industries, small factories and mills may be established in the villages which will also absorb the free time of the agriculturists.

2712. Increased facilities of transportation will be of immense help to some of the subsidiary industries, such as poultry and garden produce, and is sure to give a great impetus to the fruit and vegetable production. Little doubt will remain of the truth of the above statement, when we study and compare the condition of the villages situated on the roadside and those lying in some remote corner of the country and are without roads and without railways. In the former group would be witnessed the growth of commercial crops, vegetables and fruits, which are sold in the town or city *mandi* for large sums of money, a part of which is then spent on the purchase of food grains, while the case of the latter class would be found quite different from the former; where no such crops, vegetables or fruits are grown, the *zamindars* devote themselves to the production of food grains only and are comparatively much poorer. Similar is the case with poultry, it is bound to be more paying in the case of the former class of villages, from which the eggs and poultry can be easily and cheaply sent to the city-markets, where they are bound to fetch a good price, than in the latter class villages, where the demand is almost entirely local and the competition amongst the producers is more severe than amongst the consumers. The cheap means of transportation will also give an impetus to the subsidiary industries by cheapening the price of coal and iron in the villages by the amount of the reduced transport charges.

2713. Small industrial banks may be established for financing subsidiary industries.

#### *Investment habit and attraction of capital.*

2714. The village in which I live is much richer than the average villages of the province, for many of the inhabitants of the village own considerable area of land in other villages, so much so that only one family of six brothers own over 21,000 acres of land in other villages. In addition to this much land is owned by the other well-to-do *zamindars* of the place. The total land owned by the villagers in and outside the village is about 35,000 acres. In addition to it not a few of the inhabitants are occupying responsible positions in the Government services and some are drawing handsome pensions. I state the above facts simply because I wish the committee to know,

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that the highest total income of the village—over the necessary expenditure—which amounts to about Rs. 1,40,000 yearly, is due to exceptional circumstances and that only a few villages are destined to rival it in that respect. Huge sums are yearly saved, but saved in the form of investments, *i.e.*, in buying more and more of land and ornaments and only very small sums of money are kept in the form of cash for emergencies.

2715. The people of India, it has been recognised by every shade of opinion, have a peculiar love for obtaining gold and silver, which form the most trustworthy banks of the agriculturists. The rich classes often buy gold for ornaments, while the poor, for whom gold is too costly a metal, content themselves with possessing silver ornaments. The tendency for hoarding except in the form of ornaments has almost wholly disappeared and even in the case of ornaments the tendency is not as strong as it was some ten or twenty years ago. Some cases have come to my notice, where females of their own sweet accord have offered their ornaments to their husbands or other relatives for the purchase of land. Amongst the educated class of the village there seems to be a tendency for discarding the use of ornaments, but no marked or substantial advance has been made in this direction so far. The total money hoarded in the form of ornaments is in no case below Rs. 60,000. My statement is based on the observation of the general conditions of the villagers and their customs. Moreover I have consulted the headmen of the village and other *safed-poshes* and the goldsmiths and have found them to be holding approximately the same estimate.

2716. As long as the *Khans* cannot find some land to buy with their money, they will keep it either in their own safes or have it deposited with the Imperial Bank, while the *zamindars* keep their money either with the local shopkeepers, convert it into ornaments or buy some land with it. In 90 per cent. cases they have to pay it over to the moneylenders from whom they had borrowed on previous occasions.

2717. The Hindus would invest their money either on interest or bring some more goods for their shops.

2718. Generally the first aim of all the classes is to invest the money profitably, but the demand and desire for buying ornaments is no less strong.

2719. The *zamindars* do lend to the fellow *zamindars*, petty sums free of any charge, provided that the relations between them are cordial, but large sums are advanced only against the security of land or houses.

2720. The use of cheques is not common in the villages, it is confined only to the educated and the *Khanate* class, even the Hindus who are more advanced than the average *zamindars* hesitate in using these instruments of credit. So little are the cheques in use in the village, that it is impossible to say that abolition of stamp duty on cheques has increased its use at all. The use of vernacular scripts, I am sure, would make the use of cheques somewhat more popular, for then there would be many people in a position to understand them.

2721. No doubt paying the officers, drawing pay above Rs. 100 will enhance the use of cheques, but will prove much troublesome in cases of the officers on leave and living in out of the way villages. In order to convert their cheque into cash they will have to come down to large commercial centres, which involves much expense and waste of time and in such cases it is likely to do more harm than good. In

these days one of the *Khans*, who is on long leave and is receiving his pay by cheque has to send the cheque to Peshawar in order to have it cashed (for nobody in the village would accept it, while the businessmen at Mardan would not accept it even at its face value). I think it should not be the policy of the Government to force upon the country the use of cheques, its use will increase automatically with the increase of commerce and business morality.

2722. I do support the statement that the development of banking and investment habits are of very slow growth in India. It has been estimated that the deposits of one bank out of the group of "Big Five" in Great Britain are larger than those of all the Indian Banks put together. Various causes are responsible for it. The following are some of the causes responsible for the slow growth of this habit:—

- (1) The illiteracy of the mass of population.
- (2) The predominance of agriculture and of rural life and the poverty of the people.
- (3) The small number of banks and post offices relative to the size of the country make the transactions with banks and post offices situated at great distances a difficult and tedious business.
- (4) Lack of opportunities provided for training the Indians in banking.

#### *Remedy.*

2723. The Imperial Bank should open new branches and all efforts should be made to train Indians to serve banks efficiently and a steadily increasing number of Indians should be employed by the banks.

Establishment of post offices and co-operative societies in areas, where they do not exist at present. The importance of co-operative credit societies lies in bringing into touch modern banking and improve the credit system in areas where it has been entirely unorganised and defective.

2724. The Indian banking system consists of the Imperial Bank at the top and the village *sahukar* at the bottom, with the exchange banks, the Indian joint stock banks, the co-operative banks and shroffs in the middle.

2725. To the best of my belief the Post Office Savings Bank affords the depositors all the possible facilities. It is generally the Government servants and businessmen that resort to such forms of investments, the ordinary *zamindars* are not against following their example, but the unfortunate class is hardly left any surplus after paying the money-lender and supplying its own necessities. None of the classes, as far as I know, object to the system.

2726. The inhabitants of the village Toru and of the neighbouring villages, can never bear the idea of receiving the interest "in form of money", to them it seems an unforgiveable sin and degradation in the eye of the public, but if the interest be deducted at the source and handed over to the co-operative society of the village, I don't think any objection would be raised.

2727. Propaganda by the Government with regard to the Government loans for capital expenditure cannot meet with any marked success, unless this propaganda follows and does not precede education and co-operation. The present necessity of the *zamindars* is not primarily, how to raise and spend money on productive purposes, but how to save them from ruining themselves by observing the extravagant social

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customs and taking part in unnecessary litigations. In my opinion establishment of co-operative societies of various kinds and organization of *panchayats* would be much helpful in remedying some of the worst evils. The first will inculcate thrift, foresight, promote the feelings of brotherhood and render other valuable services by collection of small shares, by receiving deposits, and attempting to induce members to make compulsory contributions for social purposes. These societies would finance the artisan, the small professional man and the small trader, and extend them their helping hands in numerous other ways. In view of the widespread illiteracy of the cultivators, it is at the present probably most essential and of the greatest importance to spread modern banking facilities through co-operation as rapidly as possible.

2728. The *panchayats* would help in keeping some of the *zamindar's* money in his own pockets, the *panchayats* would save them the trouble of running to civil courts, and from wasting their time and money. Moreover it would have a great influence on the character and the behaviour of the villagers: the fear of ex-communication will act in restraining the villagers from going astray or maltreating others. In short it will make justice cheap and sound, and consolidate the village in the true meanings of the word. The money saved by these ways would be much, and would surely be spent on productive purposes.

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#### A.—AGRICULTURAL INDEBTEDNESS.

2729. 1. It is not possible for me at the moment to furnish any estimate of the existing indebtedness of agriculturists of any particular village in the North-West Frontier Province.

2730. The only method of obtaining a correct estimate in this behalf is to direct the revenue officials and the co-operative credit department, wherever in existence in this Province, to make enquiries, with the help and active co-operation of educated and public-spirited *zamindars*. To do this successfully, it would be necessary also:—

- (1) to examine the record of right of each and every village as well as the mortgagors and mortgagees.
- (2) to invite the village money-lenders to furnish lists of their debts due from agriculturists.

2731. As to the latter portion of this question correct answer can be given only after enquiries are made on the lines suggested above. Speaking generally, however, both the owners of an economic holding as well as those of a status inferior than that contract debts for:—

- (a) the repayment of earlier debts,
- (b) births, betrothals, marriages, deaths, circumcisions, and for entertainments of the officials, on a scale higher than ever before, owing to the rise in the standard of living,
- (c) famine and other kinds of distress,
- (d) payment of land-revenue,
- (e) growth of the debt by compound interest,
- (f) seed generally and manure in rare cases,

- (h) sinking of wells in *barani* areas only,
- (i) payment of wages to labourers,
- (j) litigation and
- (k) purchase of cattle.

2732. In Hazara District 80 per cent. of the owners of more than 100 acres of land and in Peshawar District 75 per cent. of such owners borrow for the above mentioned purposes.

2733. The following methods are likely to further restrict and place limitations on the raising of unproductive loans:—

- (a) Further amendment of the Punjab Alienation of Land Act, so as to discourage the money-lenders to make any advances to the agriculturists.
- (b) Amendment of the Provincial Insolvency Act, so as to bring it in line with the Punjab Alienation Act, Section 60 of the Code of Civil Procedure.
- (This necessity is created by the recent dictum of Lahore High Court).
- (c) Establishment of co-operative credit societies in each and every village and through them educating the agriculturists to renounce expensive social customs and to encourage thrift.
- (d) Promotion of education in villages, of religious and secular character.
- (e) Enforcing the rule of *Damdapat* as a law in the land.

Borrowing by these classes for productive purposes could be encouraged only when such banking agencies are brought into being as give them long term loans repayable by half-yearly instalments according to the means of the borrower, provided, however, that pressure is not put on him in the event of the failure of crops by *vis major*. This kind of debt is mainly due to the professional money-lenders.

2734. 2. The average rate of interest is 2 per cent. per mensem at which loans are given to the agriculturists by the money-lenders.

2735. 3. The Punjab Land Alienation Act has no doubt discouraged the money-lenders from giving credit to the agriculturists, but at the same time, there being no other agency to meet the financial difficulties of the agriculturists, the latter are compelled to resort to the same old money-lender who advances the loan on the security of either the jewellery or the house property, at an exorbitant rate of interest. There are cases in which loans have been given on the security of the future produce of the soil at usurious rates. The credit facilities will be found to be restricted, yet such restrictions are believed by the agriculturists themselves to be useful for them. To save the situation brought into being by such useful measures as the Punjab Land Alienation Act, it is imperative that agriculturist land mortgage banks should be immediately established to prevent the needy agriculturists running to the money-lender again.

2736. 4. In this province big *zamindars* are really very few. It is generally speaking a land of peasant proprietors. In Hazara the timely introduction of the Land Alienation Act saved the land of the agriculturists from falling in the hands of the professional money-lenders; but in Peshawar and especially in Mardan Tehsil,

*Qazi Mohd. Aslam.*

upto 1922, large areas of land were transferred to the money-lenders as a result of unproductive and extravagant loans. In 1922 this beneficial measure was introduced in Peshawar, and the agricultural community saved thereby.

2737. 5. No. At least in this Province nothing of the sort has happened.

2738. 7. No. There is no such practice in this province.

2739. 8. I am not acquainted with this.

2740. 9. Usurious Loans Act is a dead letter in this province. Courts, seldom if ever, turn their attention to it. It requires amendment to an appreciable extent to become useful in practical working. It could be freely used, only if it is so amended as to make it obligatory on the judges to reopen the accounts, where the defence set up is that besides undue influence the interest has become equal to the principal amount.

2741. 10. Yes; it is absolutely necessary that the legislature should enact some such measure as The Agriculturist Borrowers' Protection Act; or as they called it in the Punjab, "The Money-lenders Protection Bill".

2742. 11. No.

#### B.—FINANCE FOR AGRICULTURAL INDEBTEDNESS.

2743. 12. The only avenue for the *zamindar* or the cultivator to raise a loan at the present moment is from the counter of the indigenous money-lender. Loan in kind is given by the money-lender at a very exorbitant rate of interest, as the time it is needed at, is one of sheer necessity, it being either the occasion of sowing or when the ripe crops are standing in the field and the cultivator has run short of his provisions. It is at such times that the money-lender can dictate his own terms and the borrower has no alternative but to yield.

2744. In Hazara District rates of interest are uniform for loans of all kinds; they vary however according to the status of the borrower and the occasion of his needs.

2745. Ordinarily loans are given without the specification of any definite period for their repayment. Normally the money-lender does not make the demand for the repayment until the time for institution of the suit is about to expire. He is quite satisfied if the borrower renews the bond and enters in it the accumulated amount of the principal and interest and treats it as a fresh principal, on which the interest is allowed to be counted at the same old rate of interest. If compliance is not made with this requisition, a law suit is the result.

2746. Since 1922 in this province, as a whole, loans have been advanced by the money-lenders on personal securities or on the securities of houses, jewellery or other movables.

2747. I certainly consider the rate of interest as exorbitant. The same varies according to the circumstances and needs of the borrower.

2748. The Government has done nothing substantial so far in this behalf. In the first place no accurate estimate of the wants of the agriculturist is made, and in the second place relief given under the Agriculturist's Loans Act is extremely inadequate, as also the aid

given under the Land Improvement Act. This form of relief is usually given to either the big *zamindars*, *lambardars*, *jagirdars*, or others who are in the good books of the officials and who misuse the loan so raised; whereas the really needy, who deserve to be helped under these enactments of the legislature go without it.

2749. The Imperial Bank does not advance any loans to *zamindars* on the security of land. Only the favoured few who are successful in obtaining the recommendations of the district officers get any loans from this Bank on their personal securities.

2750. Loans on the security of land are not given by other banks or bankers. It is on the personal security and credit of the borrower that loans of all descriptions, regardless of the purpose for which they are required, are raised by them.

2751. There are very few *zamindars* who deal in money-lending in this province. Their number is very scanty. Even they do not lend to the agriculturist, except when he is their tenant or cultivator. They usually invest their money with professional money-lenders at small rates of interest, and the latter distribute it among their constituents and customers with full advantage.

2752. 13. No. The reason is that applications for *takavi* are usually treated as fit material for the waste-paper basket. The chosen few, who are lucky enough to get their petitions entertained, have to give away an appreciable portion of the amount borrowed in *bakshish*, either at the time the money passes into their hands or later when demands begin to be made for the return of it. Under the circumstances *takavi* loan ceases to prove as much useful as the legislature meant it to be.

2753. 14. Yes. There is co-operative system of the sort amongst the credit agencies. I am not aware as to how far the Government takes any part in it.

2754. 15. The only way to make the present theoretical system of financing agricultural production useful, is to place it in the hands of the Co-operative Credit Department and the Department of Agriculture which badly need expansion in this province. It is really too much to expect anything to be done in this behalf by the busy revenue officials of the day, who have to attend to hundred and one other duties of multifarious character.

2755. 16. No.

#### C.—FINANCE FOR MARKETING.

2756. 17. I am a resident of village Sikandarpur in the Haripur Tehsil of the Hazara District, and am one of the biggest landlords there. The market for my estate which consists of seven villages including Haripur, is Haripur-Hazara. The other marketing places in my tehsil are, Serai Saleh, Kot Najibulla, Khanpur, Ghazi, and Turbela. The market towns in Tehsil Abbottabad are, Abbottabad, Nawanshehr, Havelian, Bir, Nathiagali and Murree. The market towns for Mansehra Tehsil in my District are, Mansehra, Baffa, Balakot, Garhi Habibulla, Agor, Batal and Kaghan.

2757. 18. The present method of marketing agricultural produce in Hazara and Peshawar districts is as under:—

The money-lender or the commission agent, gives loans to the *zamindar* just before the sowing season, on the understanding that

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the latter would place his produce with him at certain fixed rates (which are usually much below the market rate at the time of delivery). When ready, the produce is carried by the borrower at his own expense to the lender, and delivered according to the agreement. The producer also pays the commission and other charges like the octroi. The roads in these two districts generally leading to various market places are unfit for wheeled traffic. The result is that the *zamindar* has to spend large amounts of money for the carriage of his produce. The roads are *kucha* ones, and although the District Boards are supposed to maintain them, yet they are left in such a neglected condition, that in the rainy season it is a trial to use them at all. This greatest of all handicaps reduces the price of the agricultural produce to a very great extent. This is further affected by the demands for land-revenue at a time when the market is either dull or when there is no market at all for the produce. When the *zamindar* realises that he has either to go to jail or to meet the demand, he palms off the produce at whatever price he can get for it. It has sometimes happened that some very fine *zamindars* have had to contract loans to pay the land revenue at usurious rates of interest, simply because they wanted to sell their produce at fair value.

2758. I am not aware of any system of co-ordination between the bankers and commission agents, and other merchants, though I expect there must be some such thing in existence.

2759. The *zamindar* has to meet the following incidental charges:—

(1) Carriage from the field to the market, (2) weighment at the threshing floor, (3) octroi charges, (4) rent of the market, (5) commission agents fees, (6) brokerage where the produce is sold through this agency after remaining stored in the *mandi*, and (7) personal expenses for boarding and lodging while in the market.

2760. 19. Before taking the produce to the market in the gunny-bags, only the big *zamindars* store it in their granaries called *khambs*. No. The stored grain is not accepted here as a security for credit.

2761. 21. There are no credit facilities in existence for the financing of produce during marketing. The following suggestions might be useful:—

(1) A complete net-work of roads fit for wheeled traffic connecting the various villages with the market towns.

(2) Introduction of the system of forming pools.

(3) Establishment of such credit agencies as might help the agriculturist at times of need.

(4) Alteration of the period of demand for the land revenue. Now a-days the revenue is supposed to be paid into the treasury, for *khurif* in the month of February, and for *rabi* in the month of July. These are pressing times for the *zamindar*. It is desirable that these demands be made in future in the months of April and October respectively.

2762. 22. I do not know.

2763. 23. There are all kinds of possibilities for forming pools and of transporting and marketing the produce under a co-operative system.

#### D.—LONG TERM LOANS FOR AGRICULTURE

2764. 25. There is a crying need for long term credit in my district (Hazarat). It is deeply felt by big owners as well as those of economic holdings.

2765. 26. It is impossible for both the landlords and tenants to obtain long term credit in my district.

2766. 27. No. I have already dealt with it.

2767. 28. The average value of land per acre of different quality of land is given as follows:—

Haripur—*Bagh-abi.*      *Bagh.*      *Bahr-di-abi.*      *Barangur.*  
Rs. 1,000      Rs. 2,400      Rs. 800      Rs. 200

Peshawar—Fruit-gardens.      *Nehri (1).*      *Nehri (2).*      *Shah-Nehri.*      *Barani.*  
Rs. 3,000      Rs. 2,000      Rs. 1,000      Rs. 1,500      Rs. 400

The annual yield of land of average quality per acre in Haripur and Peshawar bears a ratio of 10 per cent. and 15 per cent., respectively, to its market value under normal conditions.

2768. The following factors go to affect the value of land:—

- (1) That directorate must vest in the principal share-holders.
- (2) Transportation facilities open to it for the carriage of its produce into the market.
- (3) Means of its irrigation.
- (4) Character of the owners of the adjoining land.

The above-noted figures show only the value of land of different quality per acre where the same is sold by private negotiation. Land is rarely sold here in execution of decrees. I have not come across a case where the land might have been sold for non-payment of land revenue.

2769. 29. I have already dealt with this question, elsewhere.

2770. 31. No.

2771. 32. I am not an expert in finance. I wish however to suggest:

- (1) That directorate must vest in the principal share-holders.
- (2) Audit must remain with the Government.
- (3) Management and control to remain partly with the Government and partly with the directorate.
- (4) Capital of each bank (which must at least be in every *tehsil*) should be equal to the annual land-revenue of that *tehsil*.
- (5) The value of each share should not be more than Rs. 10 so that the *zamindars* and cultivators may be able to purchase the same.
- (6) Maximum period for the repayment of a loan should be twenty years or forty harvests.
- (7) Land mortgage banks should obtain their capital from:—
  - (a) Sale of shares.
  - (b) Government grants under the Agriculturists Loans Act and Land Improvement Act.
  - (c) Deposits of funds of minors under the Guardians and Wards Act and the Courts of Wards Act.
  - (d) Deposits of pre-emption money under the Punjab Pre-emption Act.
  - (e) Ordinary fixed and floating deposits of its constituents.

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2772. 33. Agricultural mortgage banks should raise on long term credit at a rate of interest 1 per cent. less than the one they should themselves give the loans at.

2773. 34. The value of land offered for mortgage, should be calculated at 30 times its annual letting value or at 200 times of its annual land-revenue.

2774. 35. If loans are given on the security of land and the Government has a charge on all the secured debt of the bank, its interests will be amply safeguarded.

2775. 36. I suggest the following measures for:—

(a) Mutation of names should be made after a full exhaustive enquiry so as to give it the force of a decree of the civil court. The decisions should be taken on appeal to competent civil courts. Land Revenue Act, Civil Procedure Code, and North-West Frontier Province Law and Justice Regulation should be amended.

(b) Alterations in the columns of the names of owners and occupancy tenants should be made within the year in which the change has taken place. Indian Limitation Act should be amended.

(c) Copies of the records of rights should be made available to the bank free of all charges. At the time the loan is advanced, an agreement to refer all disputes arising out of the agreement, to the arbitration of some private person, or persons be obtained. In the event of suit, the pleaders fee should be calculated as in execution of decrees. If arbitration is not resorted to, the suit should be maintainable at a court fee of Rs. 10 uniformly.

2776. 97. Long term credits might be given to *zamindars* on the security of life assurance policies, the period of loan being co-extensive with the period of the maturity of the policy except of course that the maximum period should be not more than 20 years.

#### E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2778. 38. In my village, dairy-farming, garden-produce, *gur*-making, cotton-ginning by hand, and hand-spinning are the small subsidiary and supplemental industries, in existence. They are suffering from lack of funds. The only way of helping these industries is to finance them in the same way as ordinary agriculture.

2779. 39. Such industries could be encouraged, if the departments of agriculture and co-operative credit undertake to give demonstrations, introduce better implements, and cheap labour saving machinery, and better quality of seed is supplied.

2780. Co-operative societies should be formed of various industries. They should be taught the latest methods of pooling. They should be taught how to use the raw, and over ripe fruit into pickles, *chatnis*, and jams and jellies. This if done properly is bound to make the farmer prosper on his soil, where he is now actually starving.

2781. 40. The return by these industries is bound to be doubled up at least if roads for transportation are opened up.

2782. In my estate there are mulberry trees in abundance. Silk-worm industries can be profitably taken in hand. What we require is proper scientific training in rearing the worm. This industry along with

those already mentioned, must occupy the *zamindar* and cultivators' leisure time and give him immense benefit. His income would be supplemented and his standard of living is bound to rise. He might in that event be able to give education to his children also as he heartily wishes.

2783. Working capital for these industries can best be obtained on the lines of the co-operative credit.

2784. Agricultural or co-operative banks are the suitable financial machineries for this purpose.

#### F.—RURAL CO-OPERATION.

2785. 41. They are merely money-lending institutions at present in my district.

2786. 42. I am not aware.

2787. 43. The system has been only very recently introduced. No defects of any character have been brought to our notice so far; but we expect good from them.

2788. 44. The co-operative credit societies opened so far in Hazara are intended to give relief to petty cultivators and very poor farmers. So far no such society has been opened, which might have taken within its sphere the bigger *zamindars* like myself, and thereby have relieved them of their indebtedness.

2789. 45. I cannot give an adequate reply to it.

2790. 46. No. There is, however, some sort of competition between the co-operative societies and the indigenous professional money-lender. All sorts of propaganda is resorted to by the money-lender to discourage the co-operative credit movement in my district.

2791. 47. To stimulate the growth of co-operative credit, it is essential that financial concessions be granted to them.

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#### Mr. GHULAM RABBANI KHAN, B.A., LL.B., Pleader, Manshera.

2792. 1. Average sum of ten thousand rupees will suffice for each village and the total money required can be arrived at by multiplying this sum with the number of villages in the districts.

2793. The accurate estimate can be prepared by the *tehsildars* of each *tehsil*, through the *patwaris* and *girdawars*.

2794. The debts were mainly incurred for the following purposes:—

1. Marriages, funerals and circumcision ceremonies.
2. Famine and other calamities, such as hailstones, untimely rains, etc.
3. Exorbitant rates of interest and compound interest.
4. Litigation.
5. Education of children.

2795. Both the classes are equally suffering from the evil of indebtedness. Ninety-nine per cent. of persons out of those owning more than 100 acres of land are borrowers for the above purposes. Establishment of factories for the local manufacture, development of the ways and the methods of agriculture, social reformation and advancement of

*Mr. Ghulam Rabbani Khan.*





2803. Last but not the least are the co-operative societies and mortgage banks, which would act as saviour.

2804. 7. No.

2805. 8. These systems do not exist in our *tehsil*.

2806. 9. No, it is not available of to any appreciable extent. This Act has inherent defects in so far as the provision of the Act could be used only when the transaction is substantially unfair and the interest is excessive and the account cannot be re-opened for more than six years.

2807. In order to use the act freely, every transaction bearing interest at more than 12 per cent. per annum should be re-opened and the account should be carried back to 12 years.

2808. 10. Yes. The Money-Lenders' Bill dropped in the Punjab is an absolute necessity and ought to be made law, in order to save the agriculturists from the fraudulent progeny of Shylocks.

2809. 11. No. Village *panchayat* system is badly wanted in the district and the province. Much of the poverty has its origin in the unnecessary and expensive litigation over petty matters which could have terminated amicably at no cost in the *panchayats*. The province is familiar with the village *jirga*, consisting of the elders who used to intervene in time, and very serious matters were settled by their influence. Unfortunately the present system of adjudication has wrested that influence from the hands of village elders and now even petty cases of hurt and assault and defamation are involving public in the unnecessary expenses and botheration.

2810. 12. (b). The money-lenders are the chief source from which all *zamindars* and landowners of the *tehsil*, borrow money for (a)—(c), 50 per cent. being obtained in kind. Rates of interest differ; in the case of petty owners interest is charged in kind, and varies from 75 per cent. to 100 per cent. per annum and in the case of owners of about 100 acres of land it varies from 36 per cent. to 75 per cent. and in the case of large landowners it varies from 12 per cent. to 36 per cent.

2811. The money-lender is a clever person and tries to make the most out of the necessity of his client. Money is sometimes advanced on the security of standing crop, house property and ornaments.

2812. The prevalent form of mortgage is mortgage with possession, no interest being paid to the mortgagee. This security is not detrimental to the borrower, as the income to the mortgagee never exceeds 12 per cent.

2813. The rates of interest do not materially differ. Government help is practically unknown.

2814. The Imperial Bank has advanced money only to three persons in this *tehsil* at 6 per cent. per annum taking land as the security, while persons of equal and better position are not granted such debts on those terms. Imperial Bank could be more useful, if the help is not confined to the chosen few and for considerations better known to the authorities.

2815. No joint stock bank exists here. The co-operative banks are in the initial stages and ought to be encouraged.

2816. Mortgage banks should be established in this district and should work side by side with the co-operative banks.

2817. Professional money-lender has the sole monopoly of advancing credit.

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2818. 13. (c). The *takavi* is not freely availed of by the cultivator. Firstly to borrow and to receive money, many initial formalities are to be observed and the subordinate staff of *tehsil*, viz., *wasilbaqi nawis* and *khuazanchi* are a source of trouble to the borrower.

2819. For these troubles the cultivator prefers borrowing from other sources than to obtain *takavi*. The defects cannot be cured as long as the money is to be paid and received through the *tehsil* staff.

2820. I think the village co-operative societies and banks should advance and realize the *takavi* and the cultivator will be able to get *takavi* in an easy way.

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## MOHAMMAD ASLAM KHAN, Barakhan Khail, Mardan.

### A.—AGRICULTURAL INDEBTEDNESS.

2821. 1. An exhaustive answer to this question requires a long time in order to make a satisfactory inquiry into the existing state of things. I am sorry I am unable to give any figures or an estimate within such a short time for the whole province, or my *tehsil* or own town. The only suggestion which I can make is to refer to the Government statistics and the various administration reports issued annually by the different departments of the province. Besides the purposes enumerated in the questionnaire for which debts are incurred, I beg leave to add the following:—

- (1) To rise in Government estimation.
- (2) To rise in social circles as a first unavoidable step to the above.
- (3) Revenue assessment on the basis of a supposed income from land for so long a time as intervenes between two settlements; while a businessman is taxed each year on his actual income.
- (4) Stamp duty on full price of land at every sale thereof, even though if it be of the smallest magnitude. At most the Government can be justified in levying full stamp duty on the first sale of the land along with mutation and registration fees, but levy only the latter (mutation and registration fees) at every subsequent sale of the land between two settlements. The businessmen have no stamp duty to pay on the sale of their goods.
- (5) In addition to the dilatory course of the laws relating to land, the regardlessness on the part of the courts to the time and ease of the parties to litigation.
- (6) Lack of education and the consequent ignorance, imprudence, indiscrimination, etc.
- (7) The blankness of the existing system of education respecting agriculture, and so the consequent loss of money spent on education as also that of the educated children to an agriculturist father, as they (the children) are of no use to the father in his occupation.
- (8) The unsafe position of life and property after sunset in the rural areas. No well-to-do man dares live or interest money in agriculture in the country-side.

(9) The lack of local tenants and cultivators in the canal irrigated areas which is the more productive part of the land. By "local" tenants I mean the people who are *bona fide* residents of the five settled Districts of North West Frontier Province. Most of the tenants in the above said area are Mohmands from the independent territory who cannot be properly trusted by the land-owners and who do not lead a permanently settled and peaceful life. Being an independent tribe they have the privilege of suing us without stamp-payment, but when they owe us something of the sort, whether cash or produce of land, we have to pay full stamp duty while suing them, and during the dilatory process of the course of the civil law they can safely cross the border in order to avoid the court decree or the execution thereof.

(10) The scattered and non-consolidated form of holdings which always keep the attention of the *zamindars* divided.

2822. To prevent and discourage borrowing for wasteful and unproductive purposes it very largely depends upon the discretion of credit agencies. They can safely withhold their money from such undesirable and inadvisable investments. On the other hand comparatively easier terms, lower rate of interest coupled with the good-will and cautious ways of crediting will encourage borrowing for productive purposes. For the most part the debt is due to village *sahukars* or local and professional money-lenders of the big towns. These are the only crediting agencies in this province. The majority of the borrowers are those who own an economic holding or less than that. Those who possess more than 100 acres make about 30 per cent. of the borrowers.

2823. The greatest majority of the money-lenders are the village *sahukars* or the professional money-lenders of the big towns. Very few of the land-owners (who are Muslims) may be found among these money-lenders but they do lend money to their-tenants only and that without interest. On the other hand Hindu landowners treat their tenants just as professional money-lenders do, *i.e.*, they advance money to their tenants not without interest.

2824. 2. The village *sahukar* charges six pies a rupee per mensem interest from petty agriculturists or peasant-proprietors for amounts under Rs. 100, calculates interest half-yearly and goes to recover it (at the time of harvesting) on the threshing-floor and gets the produce at the lowest possible rates. For amounts above Rs. 100 the usual rate of interest is Rs. 3 or  $3\frac{1}{2}$  per cent. per mensem.

2825. A well-to-do and trustworthy land-owner, *i.e.*, owning above 50 acres of land can nowhere get a loan at a lower rate than Rs.  $2\frac{1}{2}$  per cent. per mensem and the calculation and re-payment are usually made half-yearly. The creditor either gets his money back in the form of cash—though very seldom—or produce of land, if the borrower can afford, otherwise generally the creditor sues him in the civil court, puts him either in jail or deprives him of his property by putting it to auction for the satisfaction of court decree.

2826. 3. We have the provisions of Civil Procedure Code (§ 60), by which some articles of an agriculturist judgment-debtor cannot be attached or sold, or we have the Land Alienation Act for the benefit of an agriculturist. These may apparently seem somewhat beneficial to the agriculturist judgment-debtor, but in reality these provisions are not sufficient. The agriculturist judgment-debtor is doomed, when a creditor (generally a non-agriculturist) gets a decree against him at a

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very high rate of interest styling it as contractual rate of interest. Still more, the non-agriculturist decree-holder can satisfy his decree by imprisoning the agriculturist judgment-debtor in a civil jail and still more by auctioning the land produce and other property not exempt by law, thus ruining and starving the agriculturist and his family. In my opinion, to cut it short, provision may be made to limit the rate of interest as low as can be, say 6 per cent. per annum not to auction the land produce in toto, but to give the family of the judgment-debtor sufficient allowance per head for 6 months, and not to imprison the agriculturist judgment-debtor at all, as his land will be left untilled and thus his family will be starved, and to make such other provisions as may be deemed fit and proper to the general circumstances of an agriculturist.

2827. 4. Yes.

2828. 5. Yes.

2829. 6. This process can be stopped by legislation that a man even authorised to purchase agricultural land must not purchase any more land in a tehsil if he already possesses more than a certain amount of land in that tehsil, say between one and two thousand acres. The incentive to produce more or cultivate land more efficiently, can be created and sharpened by the Revenue and Canal Departments if they could stop the internal corruption of petty officials, adopt a sympathetic attitude towards agriculture and treat the agriculturists liberally.

2830. 7. As far as I know none except the Government servants, if they desire, can extract personal service or any form of labour from any body without the payment of wages.

2831. 8. There are only two money-lending agencies here; one is the village *suhkar* for petty *zamindars* and the other is the professional money-lender living in big towns who advance big loans to well-to-do *zamindars*. The rates of interest of each of them is so high that once a *zamindar* gets into their clutches in any way or in any form of debt he can not get rid of it and the creditor keeps on sucking his blood like a leech as long as he (the *zamindar*) lives.

2832. 9. The Usurious Loans Act is not availed of in this province to an appreciable extent, because most of the functionaries of the Civil Law belong to the money-lending class or business communities and therefore by nature are in sympathy with the creditors. In some instances they (functionaries of the Civil Law) have not the courage to make efficient and appreciable use of the said Act through fear of being blamed (of partiality) by the creditors who are an organized people in comparison to borrowers. In other instances their (functionaries of the Civil Law) judgments are influenced somehow or other by the creditors.

2833. 10. Yes, I would suggest the enactment of legislation in connection with the publication and regulation of account books of money-lenders. The money-lenders must have from the Government certain sort of books with printed headings wherein to enter every money-lending transaction, and to make payments to borrowers in the presence of at least two private witnesses and one responsible Government servant for the purpose, (in the presence of a *lambardar*, upto Rs. 60, *zaildar* upto Rs. 100, *naib-tahsildar* upto Rs. 200 and *tehsildar* upto Rs. 300). All the witnesses must make their signatures against the entry and payments. These books must be in accordance with the diary of the money-lenders and examined annually by some chartered accountant. All claims by money-lenders relating to the loans should

be made on the basis of these books. Moreover the enforcement of an efficient *Sahukara* Act to safeguard the interests of the borrowing class is the crying need of the time.

2834. 11. There are no arbitration boards or village *punchayats* in this province. They would surely be of a very great help to the public provided they are composed of fit persons unlike the benches of honorary magistrates among whom some were only decorative and inefficient men, which was perhaps the main reason of their (benches) abolition.

#### B.—FINANCING FOR AGRICULTURAL PRODUCTION.

2835. 12. See, please, the last para. of answer (1). There is no other crediting agency except that mentioned in that answer. The more the borrower is in need the higher is the rate of interest. The village *Sahukar* or the professional money-lenders always keep strict watch on the nature of the needs and circumstances of their would-be borrowers and so when he (borrower) goes to them to borrow, they take every imaginable advantage of his needs in terms of advancing loans

2836. Generally the finance is obtained in the form of cash for (a), (b) and (c) and sometimes in the form of seeds but converted into cash for the purpose of calculating interest.

2837. In some instances wherever the land-owner is a well-to-do man he advances loans without interest to his tenants but this method is gradually ceasing to exist because on one side he loses interest and on the other in recovering it, he loses much more when he is forced to have recourse to civil court for the recovery of the amount.

2838. For the rates of interest, please see answer (2). As far I know the loans are generally obtained for three years and if not paid within that period then the loan-deed is renewed and the system of compound interest begins after this stage. Generally the loans are advanced on the security of immoveable property; and sometimes on that of ornaments but very seldom, because very few of the agriculturists possess ornaments.

2839. The rates of interest are unthinkably exorbitant. The interest is calculated just at the same rate for any sort of loan.

2840. As far as I am aware no part is played by the Imperial Bank of India in financing agriculture. The only financing agencies are those which I have mentioned in the last part of the answer No. (1). The other financing agencies mentioned in the last para. of question (12) either do not exist here or are unknown to the agriculturist class.

2841. 13. The name of *takavi* exists in Revenue Law but in practice it has remained nearly unknown to the cultivator here. The slack, unsympathetic and theoretical procedure of the Revenue Department with regard to agriculture is proverbial. Therefore one could not get one self recommended for getting *takavi* by the petty officials of the Department unless one had spent on them one-third of the amount applied for. It is Khan Bahadur Ghulam Samdani Khan, Revenue Extra Assistant Commissioner, Peshawar and the late Khan Bahadur Sher Ali Khan Assistant Settlement Officer of this District who properly made known the Agriculturist Loans Act to the *zamindars* and the practical use of the Act. A *zamindar* has had direct access to them very easily and succeeded in getting *takavi* without spending anything on anyone or in any way. The remedy is that the officers of the Revenue

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Department authorised to recommend or grant a *takavi* must have the mind of an officer of the co-operative credit society or that of the Agricultural Department.

2842. 14. There is no co-ordination. The rate of interest paid on Government *takavi* is very small, while that of village *sahukar* and that of the professional money-lender is ruinous.

2843. The scope for improvement lies either in the grant of *takavi* more liberally or in the starting of co-operative credit societies, agricultural banks, land mortgage banks, etc.

2844. 15. There is no financing of agricultural production at all here in the true sense of the word, because the present money-lending system of the village *Sahukar* or that of a professional money-lender is nothing but blood sucking, and so when a thing does not exist at all, no defects can be found therein. To arrange loans on easy terms, low rate of interest and along with it to encourage and modernize other industries connected with agriculture, are the best remedies.

2845. 16. It requires a long time to make the required estimate and so it is impossible for me to submit such an estimate within a week's time. To form such an estimate when necessary I would ask all my tenants as to how much they have borrowed from the village *sahukar* during the last five years and what for, and how much they owe me for the last five years on account of the lease money and what is the reason of its non-payment to me as yet.

2846. The capital available at present for the purpose is not adequate because it is not capital but poison on account of the exorbitant rate of interest.

#### C.—FINANCE FOR MARKETING.

2847. 17. In Peshawar District the marketing centres for various crops are as under:—

- (a) Peshawar, a general marketing centre for all sorts of crops.
- (b) Charsadda for *gur* and rice.
- (c) Mardan, a general marketing centre like Peshawar for all sorts of crops.
- (d) Takht-i-Bahi for *gur* and to some extent for other crops also.
- (e) Tobacco is the main part of the produce of the spring crop of the whole Tehsil of Sawabi (Peshawar District) but unfortunately there is no special marketing centre for it, because on account of the poverty and ignorance of the producers either the intending purchasers or the local *sahukars* always succeed in buying the whole lot on the spot wherefrom they (the purchaser or local *bania*) export it to different parts of India. Very seldom a producer can be seen to have brought his own tobacco to the nearest well-known market which is Mardan.

2848. 18. Very few of the producers themselves can take their crops to the market for sale, because most of them are continuously under debt and so the creditor, (who is generally the local *Sahukar*) buys the crops on the harvesting-floor at the rates he (the creditor) chooses to fix and the producer is forced to accept those rates, and remains cut-off from the market and unaware of the actual rates prevailing. When a producer is fortunately free from debt, he takes his crops to the market town and finds purchasers with the commission agents at various business centres and store houses. The commission agents

charge 6 pies per rupee from the buyer and 6 pies per rupee from the producer (seller). Though apparently the producer (seller) sells his produce on current rates but the poor simple fellow (seller) is cheated by the weigher in the matter of weighing or measuring the produce, because in most of the selling and buying centres inaccurate scales or measures are used for purchases from the villagers. Similarly the creditor (village *sahukar*) while buying the produce from his debtor at the harvesting-floor pursues, as a rule, the same policy as that of the weigher in market-place. At every purchase of crop from the producer whether at harvesting-floor or in the market-place a part of the produce, say about 2 seers a maund, is taken from him under different names—*dharat*, *nahari*, *sharbat*, *chawkidari* allowance, etc. by the purchaser himself (if he is the creditor of the producer) or by the commission agent of the market-place through whom the produce is sold. It should be borne in mind that the above treatment is meted out to that producer who is an ordinary cultivator and uneducated. The more a man is educated and well-to-do or influential the safer is his position in this respect. In order to loot the simple *zamindar*, there is a strong co-ordination among the buyers, money-lenders, and the village *sahukars* themselves.

2849. Big *zamindars*, i.e., owners of more than three or four hundred *jaribs* of land do not send their crops to the market. They sell it in their own villages and settle the rates first with the intending purchaser through some commission agent in the nearest market-place.

2850. 19. Very few among the agriculturists are so fortunate as to store their produce in the hope of selling it at higher prices. Five persons out of 1,000 can do so, the remaining 995 persons sell their crops very reluctantly immediately after harvesting, in order to pay off the interest of debt and the Government dues in time.

2851. These 5 out of 1,000, as a rule, do store their produce at home in granaries (very poorly built). They can get credit on the security thereof provided they take the produce to the market-place and store it with some money-lender or commission agent, but on account of exorbitant rate of interest the agriculturist cannot take the full advantage of his borrowing in this manner.

2852. 20. Licensed ware-houses are quite unknown in this part of the world. Apparently they look very useful but I should like to agree with the majority of the intelligentia of agriculturist public of the Northern Punjab respecting this question; but at the same time I request the Government to kindly take some steps also, so as to enable the agriculturist class first to produce enough and suitable contents for the ware-houses in question on American lines and scale, otherwise they (ware-houses), I am afraid, shall remain empty.

2853. 21. There are no credit facilities existing for the agriculturist class whether land-owner or tenants. At the rate of six pies per rupee per month for sums up to one hundred rupees and at least two or two and half rupees per cent. per month for the sums above Rs. 100, an agriculturist can obtain credit at the time of necessity.

2854. 22. The only way of raising money, for an agriculturist, at any time of the year is to give some immovable property in security and to get credit at exorbitant rates of interest. The ultimate result is that the property thus secured goes to the creditor.

2855. 23. There is great possibility for the success of the co-operative movement if it is once started; and when it is able to stand on its own legs respecting capital it will very easily make arrangements for

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opening commission-shops, transportation of agricultural products, and marketing the same on handsome prices.

2856. 24. We want the more extensive use of the bills. For this purpose different banks be opened and co-operative credit societies formed, so that one may obtain bills of exchange more easily and be free from carrying cash with him and be safe from the consequences thereof including murders, robberies, etc., etc. Moreover when we have increase of banks and co-operative societies there will be *ipso facto* a reduction in duty on bills by way of competition among them. Also legislation should be made to limit the rates of duty on the bills of exchange as low as may be possible.

#### D.—LONG PERIOD LOAN FOR AGRICULTURE.

2857. 25. There is a great appreciable demand for long term credit not in Peshawar District alone but in the whole province, I suppose, both the land-owner-farmers as well as tenant-farmers stand in need of it.

2858. 26. Only those, who mean either to lose their property given in security of the debt or go to civil jail for the non-payment of the debt, do take long term loans here in this province, and therefore such people are very few.

2859. 27. No. Because the *takavi* is granted by the Revenue Department which is traditionally slack and unsympathetic towards agriculture. Moreover the majority of the petty officials of the department are notorious for their proverbial dishonesty. The officers of this Department do not, always and necessarily, belong to the agriculturist class; neither are they agricultural experts and therefore do not know the difficulties and necessities of the agriculturist class. Therefore the *takavi* should be advanced to the *zamindar* through the Agricultural Department or co-operative credit societies.

2860. 28. In my town of Mardan the average value of well-irrigated land is Rs. 1,500 per acre and that of canal irrigated Rs. 600 per acre. A piece of land worth Rs. 100 yields an income of rupees four a year provided the weather is favourable.

2861. In the event of (a) or (b) as the land must be sold, within a certain time in order to satisfy a demand made by Government or civil court the land loses its real worth and the least possible price is offered by the intending purchasers, while in the event of (c) as the land-owner is not bound to sell, he very seldom loses anything respecting the prevalent market value of the land if he is rather calm or impassionate in offering the land for sale. The other factors affecting the price of the land are:—

- (i) Continuous unfavourable or bad weather for several years.
- (ii) The existence or non-existence of the Land Alienation Act.
- (iii) Situation and environments of the land to be sold.
- (iv) The facilities and difficulties of communication.

2862. 29. For some time past the Land Alienation Act has been extended to Peshawar District. The other districts were administered by the same Act some years before it was enforced in our district. This Act has affected the capacity of borrowing of the agriculturist class very greatly and in an adverse manner; because before this act the money-lenders did not hesitate to advance money to *zamindars*, for a reasonable number of years, in the hope of ultimately getting the land in satisfaction of the debt and interest thereon, but the introduction of the said Act has put an end to this state of things and therefore

the money-lender is not so keen on advancing loans to the agriculturist class.

2863. I suggest a modification in the existing law that even a member of the agriculturist class must not buy any more land within the limits of a *tehsil* if he either previously owns a certain number of acres or has made up the authorised number of acres during the course of purchasing lands.

2864. 30. There are no regular mortgage banks here except the money-lending communities mentioned before who mortgage properties only with the object of ultimately depriving the proprietors of the possession thereof, and therefore the rates of interest of these money-lenders are always intolerably very high. On account of their traditional poverty the agriculturist class have little money with which to purchase the bank-shares and to obtain debenture bonds. Therefore the said sort of bonds are quite unknown to the *zamindars*.

2865. 31. There are no land-mortgage banks here, except the Shylock-like money-lending communities whose only business is to ever prey upon the needy and ignorant section of *zamindars*. There is no institution here wherefrom a *zamindar* can obtain long-term credit in a safe and business-like way.

2866. 32. The answer to this question is not the business of an individual of this province which has no voice in its administration. Under the present administration it is, I think, nearly impossible to establish and successfully work out such institutions unless the agriculturist public, who form the majority of the population, has a proper share in the administration of the province. Up to this time we have been kept in the position of a minor; therefore the Government should kindly think for us respecting the establishment of such useful institutions to the advantage of the calamity-stricken land-lords and tenants. The agriculturist class—both land-lords and tenants—have grown nearly pauper as compared with the businessmen and artisans, and therefore the sooner such institutions are started the better it is; but to acquaint the people concerned with such a movement and persuade them to avail themselves of it will take a long time if the province is still kept in the position of a minor, *i.e.*, without an elected legislative council.

2867. 33. If agricultural mortgage banks are started under Government supervision and management, every well-to-do *zamindar* will help the banks either in the form of keeping his savings with them or that of buying shares thereof. The rate of interest of money lent to the people should not exceed from annas 12 to annas 14 per mensem.

2868. 34. From the sale price of lands in the neighbourhood and then to take  $\frac{1}{3}$ rd of that value for mortgage purposes for the land offered for mortgage.

2869. 35. We expect as much help and on those lines in this respect from the Government as it has been successfully given to other provinces of India without any unnecessary loss to itself.

2870. 36. The measures suggested by the majority of the agriculturist intelligentsia of the Northern Punjab would successfully prove useful here.

2871. 37. I would agree with the majority of the agriculturist intelligentsia of the Northern Punjab.

2872. 38 and 39. The industries subsidiary to agriculture are suffering or rather dying away on account of lack of funds and education. Moreover these industries are conducted on pre-historic methods.

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I suggest that these should be modernized and form the main part of education and be financed by a movement of the co-operative credit system or industrial banks.

2873. 40. As far as I know there are three kinds of roads in this district. The one sort are the Public Works Department, and Military Works Department roads which are metalled and provide great facilities. Nearly all the important market towns are situated on these roads. The second sort are the District Board roads which are unmetalled, very badly managed and most of them nearly impassable in some places. They are of little use in opening new markets. The third sort are the canal roads which are situated in the canal irrigated area,—the most important part of the district, but they are too sacred to be used for free traffic and therefore their existence and sanctity is an obstacle in the way of opening markets in the whole irrigated area which is the most productive part of the district. At present the position of such a fertile area is that of a first class railway train without a single W. C. in the true sense of the word respecting easy or free traffic. In answering the rest of the questions I would agree with the majority of the agriculturist intelligentsia of the Northern Punjab.

#### F.—RURAL CO-OPERATION.

2874. 41 to 47. There are no co-operative credit societies in the Peshawar District. Very recently some preliminary work has been started in the Sawabi Tehsil. There is a great desirability and possibility of its growth and success in the whole of the district. The agriculturist public need it very much. I hear that in the Hazara District the co-operative movement has been appreciated very much by all the *zamindars*, and has done a lot of good in a very short time.

#### G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2875. 48. The majority of the non-agriculturist population consists of small artisans and traders who in urban areas are nearly as much indebted to money-lenders as the agriculturist class, and feel just the same sort of difficulties in the matter of finances as the agriculturist, but are not so fraudulently treated by the money-lenders as the agriculturists, on account of their (non-agriculturist, artisan and traders) being a little wiser and more vigilant than the agriculturist. There exist no special banking facilities for them. They are in as much need of co-operative credit societies and industrial banks as the agriculturists are.

2876. 49. Tanning, shoe-making, tailoring, weaving, confectionary, metal work—gold, silver, iron and copper, wood-work, bricklaying, are the industries in my town, *tehsil*, district and province. As long as they are not modernized and carried on by machine work there is very little hope of their becoming a profitable business. Mere financing them by industrial banks or co-operative system would be of very little use unless these industries are enabled to defeat the foreign goods respecting price, shape, and durability of the articles produced. At the same time some sort of legislation for their protection would also be necessary in the beginning.

2877. 50. There is no co-operative movement in this part of the province. In my opinion the co-operative or industrial banks, etc., would prove very much useful.

2878. 51. Cotton and wool weaving and hosiery should have the first place and after that tanning and metal-work and other industries.

2879. 52. The most efficient suggestion which I would make to remove the financial difficulties is to discourage the importation of foreign manufactured goods and to popularize and encourage the manufacture of country-made goods within the limits of this country so that the wealth of the country may not drain out.

2880. 53. Yes, the growers of produce do not get the full value for it, because they are illiterate and consequently unaware of what is going on in the internal markets and abroad. The better return for their produce would be to finance them in business-like manner and modernize agriculture and along with it to treat in the same way the industries allied thereto, and side by side to do the same with those industries which are not allied to it.

#### I.—INDIGENOUS BANKER AND MONEY-LENDER.

2881. 55. In the Peshawar District the only money-lending communities are those of Hindus and Sikhs.

2882. 56. The chief and most lucrative occupation of the indigenous banker or money-lender is lending money on interest mostly to agriculturist class which is comparatively more ignorant, needy and less protected. He advanced loans to non-agriculturist class also, but not so much, and that on a little lower rate of interest. In fact he feels little need of any other business in the presence of such a fruitful one like money-lending, but in villages he keeps a small grocery shop as a subsidiary occupation and pastime. At the same time this shop in reality is his headquarter or castle where a needy man easily can find him always ready to help him (the needy man) in the form of money-lending. This sort of shop-keeping is as profitable to him as money-lending but in a passive and silent-manner. In big towns like Hoti Mardan he generally keeps a shop of drapery along with money-lending and lives as an enlarged prototype of the village money-lender, to all appearances. Besides the cash loans he very often sells on credit his commodities to his clients at a higher price and after a short time converts the same into cash and puts interest on it at his usual rates. Sometimes he happens to be a land-owner and even in that capacity he does money-lending business with every one generally and with his own tenants particularly but never without interest. Nearly every Hindu in one form or other does money-lending and lives to a considerable extent on it.

2883. 57. The indigenous banker in my town or *tehsil*, does not at all assist in financing agriculture because his system of money-lending at so exorbitant rates of interest diminishes the strength of the agriculturist class and so consequently weakens agriculture. There are no industrial societies or banks in our province.

2884. 58. (d) The village money-lender, when in need of money, gets it from the town money-lender, usually at annas 10 to 12 per cent. per mensem and lends it to the villagers at least at Rs. 2½ per cent. when the amount is above Rs. 100, or 6 pies per rupee per mensem when it is less than that. The town money-lender in his turn, when in need, gets money at the rate of annas 8 to 10 per cent. per mensem from the organized banking firms.

(e) I do not know at all if any organised bank deals with the agriculturist class at bank rates. Even organized bank including the Imperial Bank of India generally deals with businessmen and trustworthy professional money-lenders.

2885. 59. Nil.

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2586. 60. The indigenous banker's only method of money-lending is to advance money on security, which he converts into money for the sake of calculating interest thereon, and to charge 6 pies per rupee per mensem for rupees up to hundred, and at least from Rs. 2½ to Rs. 3½ per cent. per mensem, for bigger sums. The interest is calculated monthly but recovered after six months from the agriculturist and annually from the traders and artisans. After the expiry of the above periods, in the case of non-payment, the system of compound interest begins. The interest is deducted in advance from the amount lent by the money-lender in the first instance.

2587. 61. Please see answer to question No. (55) d.

2588. 62. Nil.

2589. 63. The rates of interest paid by the agriculturist to the indigenous banker is 6 pies per rupee per mensem for amounts upto Rs. 100 and Rs. 2½ to Rs. 3½ per cent. per mensem for more than that.

2590. By starting co-operative credit system, agricultural banks land-mortgage banks, etc., the rates of interest can be brought down considerably.

2591. The reduction of such rates of interest will surely confer great benefit upon the agriculturist public. Agriculture will thrive and improve. The agriculturist will be put in easy circumstances and his standard of living will grow high provided the other industries improve so much as to rid the agriculturist of purchasing foreign goods.

2591(a). 64. Yes. There is a strong prejudice against the indigenous banker in certain places on account of his underhand and fraudulent dealings with the local people. Generally his position and attitude in relation to his clients is just that of a money-lending Jew respecting the non-Jews wanting debts. The dealings of the village bankers, who are naturally clever, with their clients are not conducted on sound lines. To be brief, every sort of trick or fraud is being availed of by the bankers in their dealings on account of the ignorance and simple-mindedness of the clients. The best remedies are to educate the villagers on sound lines, to establish co-operative credit societies, agricultural and mortgage banks and to make appreciable use of Usurious Loans Act and to introduce *Sahukari* Act for the protection of needy *aminidars*.

2592. 65. After making allowances for all sorts of unavoidable expenses, the indigenous banker or a competent money lender can safely double his capital within a period of about four years. The money-lending business is still the most lucrative and successful for a native money lender. Some of them have failed on account of the sudden introduction of the Land Alienation Act, because they had previously borrowed enormously big amounts in the hope of developing their land owners of their landed properties but the said Act proved a blow to them.

2593. 66. The money lenders even now are inclined to assist all the demands of their clients, but the Alienation Act has made them more cautious and therefore they are not willing to advance money for the purchase of land on a long term, they are inclined to advance money for the purchase of land on a short term and for the purchase of land on a long term for the purchase of land on a short term.

2594. 67. The money lenders are not inclined to assist all the demands of their clients, but the Alienation Act has made them more cautious and therefore they are not willing to advance money for the purchase of land on a long term, they are inclined to advance money for the purchase of land on a short term and for the purchase of land on a long term for the purchase of land on a short term.

public these bills are quite unknown on account of their ignorance. The majority of the public is agriculturist but they cannot avail themselves of these instruments.

2895. 68. All the year round money flows from the rural area to the urban centres, because agriculture is not paying in comparison to money-lending and business and therefore the position of an agriculturist is always that of a labourer and of a money-lender and businessman is that of a capitalist.

2896. 69. Yes. There is a large amount of money in the possession of many indigenous bankers which does not find employment for fair dealings. The majority of the indigenous money-lender is naturally inclined to invest capital in some extraordinary lucrative way and to take an undue advantage of the client who is for the most part an illiterate agriculturist.

2897. 79. If agriculture and other local industries are encouraged by the establishment of different sorts of banks to finance them, the money will cease to flow to the provincial capital and find remunerative employment in the district to benefit it.

2898. 71. I should say the position of the banker is more than enough protected by law.

2899. 72. The Government should issue licenses to money-lenders and unless a money-lender has a license to the effect that he is permitted to advance loans, he should be debarred from lending money. There should be legislation to fix the rate of interest, and no money-lender should have a higher rate of interest than what he is authorized by law to take; if he charges a higher rate of interest he should be criminally liable and in addition to it no decree for any interest should be passed in his favour.

2900. 73—74. A legislative enactment to regulate the system of money-lending, to fix the rate of interest and to make the accounts of money-lenders open to inspection by the Government would greatly improve and consolidate indigenous banking. The attitude of the indigenous banking communities would naturally be very adverse to such measures in the beginning but by and by they would realize the benefit thereof just as the abolition of the system of *satti* was very badly felt in India in the beginning but later on everybody concerned realized its good effects.

2901. 75. I would agree with the majority of the agriculturist intelligentsia of the Northern Punjab.

2902. 76. The establishment of co-operative credit banks, agricultural and mortgage banks and along with them the creation of industrial banks would naturally force the indigenous bankers to join hands with them.

2903. 77. The same answer as to question 75.

2904. 78. The same answer as above.

#### J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

2905. 79 and 80. Agriculture is comparatively poorer than any other occupation here on account of want of capital, illiteracy, and ignorance of the occupants, and therefore, is much less paying. I think only five persons out of one thousand might be able to save something. On the whole they do only live simply to carry on their occupation

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in order to pay their debts and revenue to their creditors and Government, respectively, and if there is any surplus, this he spends on goods which are totally foreign.

2906. It is very difficult to give an estimate of the surplus income of the people or their savings of capital.

2907. 81. The females of the most of the people of, India, specially of the less educated class or of those who are ignorant of the spirit of economics, invest a considerable part of their savings, when they are fortunate to have any, in ornaments of gold and silver. I recommend that goldsmiths and silversmiths must have a license to sell or make ornaments, must give a certificate to the purchaser at the time of every sale, specifying therein the quality of the metal and price of the ornament sold. At the same time they must make an entry of every sale in their sale-registers. In short this business should be supervised by the Government as that of the professional money-lender.

2908. The tendency towards hoarding is increasing, because when a man is getting more and more hungry he feels more and more inclined to have more and more of bread. Similarly the country on the whole is getting poorer and poorer on account of its wealth being drained out in many ways, more specially on account of nearly all the necessities of life being imported from abroad.

2909. 84. Nearly the whole of the money flows to the money-lenders, the lawyers, the petition-writers of the law courts, the majority of the officials of some of the Government departments, and last of all to merchants and artisans. There are no co-operative societies here in this district. I hear that some of the educated class of people, and most of the Hindu business-men in big towns, are gradually availing themselves of the insurance system, but to the agriculturist class these systems are quite unknown.

2910. 83. Yes. Both the farmers as well as land-owners do lend money to their fellow farmers and land-owners in the form of moderate loans mostly without interest for short terms, say a year or two. Bigger amounts for longer period are lent in return for land mortgages with possession. In a prosperous year most of the agriculturists can only pay the Government dues and their liabilities to their creditors in time and save themselves from being kept in a *tehsil havalat* for non-payment of the former and from compound interest respecting the latter, and having done that save also something to live upon rather satisfactorily during that year. Omitting the land—as a part of the capital—most of the whole capital is distributed among the non-agriculturist classes mentioned in answer to question No. 82.

2911. 84. The cheque system is known to the businessmen in big towns or cities. Agriculturist public is mostly unaware of it. If the agriculturist public are educated and be enabled to earn and save something, the cheque habit will be promoted.

2912. The more the Urdu scripts are made use of in banking, the sooner the attitude of the public would be favourable towards it.

2913. 85. I support the view that investment habit is declining, because the occupation of the majority of the people is agriculture which is very poorly financed. The banking is also gradually failing because the wealth of the country is flowing to foreign countries on account of their manufactured goods being imported here.

2914. As far as I know there do not exist any means or institutions for encouraging saving and investment habits. On the other hand the

present system of education and importation of luxuries encourage extravagance.

2915. The wealth of the country is gradually being drained out, therefore, in proportion thereto savings are decreased and consequently the facilities for investment vanish. The facilities for investment can be increased and improved if technical and industrial education be introduced on an efficient scale and the industries be so much modernized as to rid India of the need of foreign goods to the greatest possible extent.

2916. 86. Postal cash certificates are unknown to the agriculturist class—the majority of the population. Before making them known to the people it is necessary to teach them first how to earn and then to save money.

2917. Cash certificate rates are very low. As far as I know the majority of the people who invest money in post office cash certificates or deposit money in post office saving banks are office-peons, subordinate officers of the Postal Department, subordinate clerks of the offices of different departments and so forth. Other classes can be attracted if the rates of interest are raised and those classes are taught how to earn and save.

2918. 87. I would agree with the majority of the agriculturist intelligentsia of the Northern Punjab.

2919. 88. I would agree with the majority of the Muslim intelligentsia of India.

2920. 89. As far as I know the post office cash certificate rates are not so attractive.

2921. 90. The agriculturist public is quite unaware of the purchase and sale of such securities. It is necessary to make it known to them and then to teach and encourage them to earn and save and thereby enable them to invest in such securities, provided the rates of interest are attractive. For recommending special facilities I would agree with the majority of the agriculturist intelligentsia.

2922. 91. Securities other than those of Government are quite unknown here.

2923. 92. First to educate the people to earn and to save. Second to satisfy them that the Government is their own.

2924. 93. I think they have not popularised Indian banks among the people on account of their too much official treatment and attitude.

2925. 94. The only resource is the community of the money-lender which exists and is known everywhere in villages or in cities. Organized banks do not exist in rural areas. The other banking resources, even if they exist, are absent and therefore unknown in rural areas. Only in big cities they exist and are being availed of. Money-lender's resource in no respect is useful. The other resources are very few and non-existing in rural parts.

2926. 95. In the Peshawar District there should be established a post office with a saving bank and a land-mortgage or a co-operative credit bank or any other institution of the sort at least in every place where there is a police station, or a railway station of the grade of Mardan or Takhat-i-Bahi or Hathian (on the Nowshera Dargai line), or Pubbi and Nowshera on the main railway line.

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*Supplementary Remarks.*

2927. To our bad luck very little has been done as yet by the Government for the economical development of our province. From the very beginning of the creation of this province the Government has been too much busy with the affairs of a political nature, I suppose, concerning this province and therefore consequently forced to remain indifferent to our educational and industrial rise.

2928. Twenty-nine years ago this province was the part and parcel of the Punjab and came under the British rule along with that province in the same year, i.e., 1849. If it were left as its part up till now, it would have developed at least as much and enjoyed the same privileges as those districts of that province which were on the same level with us, at the time of our separation from it. By being separated from the Punjab we expected to make much more progress than a comparatively far more bigger province where the burden of responsibilities is always heavier on the shoulders of officers, but the result has unfortunately been rather otherwise.

2929. It is an evident fact that this province has not been created on self supporting lines. The people have no voice in the administration. Our economical and industrial sides of life have not been attended to, but in the matter of taxation or enhancement of revenue and *abiyana* (water-rate) no slackness on the part of the Government has been noticed at all.

2930. What a strange irony of fate it is that on one side our economical strength is sinking down and on the other we are treated in the matter of taxations and revenue, etc., just with the same promptness with which comparatively more advanced and prosperous provinces are dealt with in this respect. At the same time those provinces have a hand in the administration of their affairs and we have none.

2931. It would not have been objectionable at all if the activities of the Government respecting taxation, revenue, etc., had been of the same nature and standard as our deplorable economical and industrial condition, because the province is not self-supporting from the very beginning. Let us "not lose hope" and look forward to the beneficial results of the deliberations of the present Enquiry Committee for the rise and advancement of our tongueless province. In addition to the said burdens I may say that our province has always been foremost in giving lives and supplying recruits at the time of necessity for the Government.

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**Khan Bahadur ABDUL GHAFUR KHAN, Khan of Zaida.**

2932. Owing to numerous and pressing engagements I regret I have been unable to answer the questions in the Questionnaire of the Central Areas Banking Enquiry Committee. Besides, some of the questions require expert knowledge which I do not possess. I therefore, submit the following memoranda dealing with the subject of loan transactions between the agricultural population of this province on one side, and the money-lenders on the other. I will also make certain suggestions for the consideration of the Committee, which I think, if followed, will improve the financial position of the agricultural population, which has been reduced to a very serious position. I request the members of the Committee to allow me an opportunity of supplementing this note with reference to other matters of importance to the agricultural class by such questions that may be put to me for ascertaining my views in that connection.

2933. At the outset I feel the need of describing the financial position of the agricultural population of this province. With the exception of a few large land-owners, who have the capacity of managing their estates in a careful manner and who exercise a close supervision over the agricultural operation of their estates, the rest of the agricultural body is ignorant, inefficient, and lack the knowledge for getting a full produce from the area which they own. This is due to various factors, but the principal causes which have reduced the agricultural population to a low degree are:

- (1) want of education and intelligence for economic use of the produce which they get from their land.
- (2) want of education and intelligence suitable for managing their estates in a progressive manner,
- (3) want of knowledge of methods by applying which large and valuable produce could be acquired from their lands,
- (4) absence of any organization for the training of agricultural population and profitable methods of cultivation, and
- (5) lastly want of suitable facilities for their pecuniary needs being provided when they are hard pressed for cash.

2934. I will now describe some of the remedies which I consider suitable for improving the condition of the landowning and peasant classes. The most essential condition is the introduction of a wide and free system of education in the rural tracts on a liberal basis. In every village of a population of 100 or more persons a primary school should be established where every member of the village community should be persuaded to receive free education. Up to the age of 10 years both male and female children could be taught together. By that age with proper care on the part of the Educational Department the children would acquire an elementary training, and their mental outlook will then be in a condition to view the profession which their parents follow, with interest. Such children should also be provided with facilities for receiving a somewhat higher education, say, upto the higher primary standard. Their test for pursuing their hereditary profession can be augmented and improved by attending lessons regarding tilling and breaking and sowing, a small modern farm of a couple of acres being attached to each village school in which the children could be taught the elementary knowledge of cultivation of land. They should also be taught account keeping, preservation, and application of produce which they get from their land. Up to the age of 14 or 15 the children should continue to receive training in the schools that may be suitable to improve their knowledge of deriving a valuable crop from the areas under their control. The girls should be taught domestic duties and cottage industries and the proper use of the agricultural produce which invariably remains under the control of female members in their houses.

2935. It would be highly advantageous if selected boys in village agricultural schools are sent to schools at the headquarters of each district which should be established for educating youths in advance agriculture. The best method for making agriculture a lucrative profession is the establishment of modern farms under the supervision of persons who have received a training in a suitable agricultural college. These modern farms should be on modern scientific agricultural lines. Improved seeds of various kinds should be grown on those farms and should be distributed on easy terms to the agricultural population

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of the surrounding villages, and inexpensive agricultural implements should also be stored within easy reach of the agricultural population throughout the province. By this method the agricultural population will learn to cultivate their land in a progressive manner, will secure larger and more valuable produce than they do now, and will utilise it for their own advantage and will also be able to meet the land revenue demands and other expenses out of it without any difficulty. The present condition of indebtedness will disappear within a reasonable time and the agricultural population will attain to a position of comfort and thrift.

2936. In addition to education on the above lines, I advocate the establishment of agricultural banks at suitable centres for the benefit of the agricultural population of the province. These banks should supply pecuniary needs of the population at easy rates of interest. Government should guarantee these banks and should devise methods whereby the just demands are paid up by the debtors.

2937. Co-operative credit societies have not as yet been established in this district so as to produce any effect in improving the lot of the agricultural population. If these societies are made to run on proper lines and the system of co-operation is introduced in a suitable manner, and is made popular, the societies will be a very good support to the agricultural banks, the establishment of which I have recommended.

2938. I doubt if more than 25 per cent. of the agricultural population is free from pressing financial liabilities. Their creditors are mainly village money-lenders. For want of thrift the land-owning and rural classes can hardly meet their financial needs out of their own income. They therefore, have a recourse to the money-lending classes who make them advances at exorbitant rate of interest. When the crops are collected the creditors appropriate the bulk of those crops in lieu of their debts at a very low rate, leaving very little share of the produce for the use of the borrower and his family. The borrower sinks lower and lower from time to time he loses his entire holding and even his land. No doubt the Land Alienation Act is in operation in this province, the provision of that Act are evaded invariably in most cases by the money-lenders by the substitution of persons who are not prohibited from acquiring land for themselves, and by this method they acquire the landed property of their debtors. The provisions of this Act are very salutary but they are invariably evaded on account of the want of interest on the part of the officials who have to deal with cases relating to the alienation of agricultural land.

2939. The provisions of the Usurious Loans Act are seldom applied to cases in which the question about exorbitant rate of interest is involved. It seems that the civil courts do not appreciate the value of the provisions of that Act in relation to the disputes between the money-lenders and agriculturists. This may be due to the fact that the defendants are ignorant that any such Act exists, and the petition writers who frame their plea in defence also overlook the fact even in good cases to raise a plea in favour of defendants in regard to the provisions of that Act. That salutary law is almost a dead letter in these parts and is not helpful to save the agricultural population from claims the major part of which consists of exorbitant and unconscionable interest. I submit that, unless the highest civil court issues a circular order to all courts for carefully considering the provisions of the Act where they can be made applicable and to raise a plea on the basis of those provisions in defence, whenever it can be done, the Act will remain ineffective.

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2934. I will now describe some of the remedies which I consider suitable for improving the condition of the landowning and peasant classes. The most essential condition is the introduction of a wide and free system of education in the rural tracts on a liberal basis. In every village of a population of 100 or more persons a primary school should be established where every member of the village community should be persuaded to receive free education. Up to the age of 10 years both male and female children could be taught together. By that age with proper care on the part of the Educational Department the children would acquire an elementary training, and their mental outlook will then be in a condition to view the profession which their parents follow, with interest. Such children should also be provided with facilities for receiving a somewhat higher education, say, upto the higher primary standard. Their test for pursuing their hereditary profession can be augmented and improved by attending lessons regarding tilling and breaking and sowing, a small modern farm of a couple of acres being attached to each village school in which the children could be taught the elementary knowledge of cultivation of land. They should also be taught account keeping, preservation, and application of produce which they get from their land. Up to the age of 14 or 15 the children should continue to receive training in the schools that may be suitable to improve their knowledge of deriving a valuable crop from the areas under their control. The girls should be taught domestic duties and cottage industries and the proper use of the agricultural produce which invariably remains under the control of female members in their houses.

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# REPLIES TO THE SPECIAL QUESTIONNAIRE FOR CENTRAL CO-OPERATIVE BANKS.

**Honorary Secretary, the Hazara Central Co-operative Bank, Ltd.,  
Abbottabad.**

## I.—RELATION OF THE CENTRAL BANKS WITH AFFILIATED RURAL CREDIT SOCIETIES.

2940. 1. (a) Central Bank in granting loans to societies does not distinguish between short term and long term loans. All loans issued to rural credit societies are on demand. Central Bank fixed a demand which is remitted by each society before the close of each half-year, i.e., 31st of January and 31st of July of each year. No instalment is overdue from any rural credit society so far.

(b) This question does not arise.

2941. 2. The Central Bank does not inquire into the purpose of loans issued to societies, the lump sum advanced to the societies on recommendation of the inspectors is distributed by the members of the societies according to their needs. The Central Bank as a rule does not fix any period for the repayment of any loan issued to any members of the society.

2942. 3. In the last three years Central Banks' demands and recoveries were as follows:—

Name of the year.						Demands.	Recoveries.		
						Rs.	Rs.	A.	P.
1926	..	..	..	..	..	9,805	10,946	0	0
1927	..	..	..	..	..	27,250	30,283	3	6
1928	..	..	..	..	..	47,530	50,535	10	6

## II.—RELATION OF THE CENTRAL BANK WITH SOCIETIES OTHER THAN RURAL CREDIT SOCIETIES.

2943. There is only one urban credit society affiliated to the Hazara Central Co-operative Bank Limited, Abbottabad, at present. The purpose of this society is to obtain cheap loans for its members and along with that to accumulate its own funds for the needs of its members. The number of its members is seventeen and the present financial position of the society is satisfactory.

2944. 5. No Society has been liquidated since the start of the Hazara Central Bank.

*Hony.-Secretary, Central Co-operative Bank, Hazara.*



## III.—FINANCE.

2945. 7. The detail of the working capital of the Hazara Central Bank as it stood on the 31st of December 1928 is as follows:—

			Rs.	A.	P.
1. Paid up share capital	..	..	..	8,600	0 0
2. Deposits	..	..	..	1,19,946	15 0
3. Other borrowings	..	..	..	30,000	0 0
4. Reserve funds	..	..	..	104	0 0
5. Other funds	..	..	..	Nil.	
6. Undistributed profits	..	..	..	1,180	8 11
7. Miscellaneous	..	..	..	12,106	14 7

2946. 8. A—(i) There are no current or saving bank deposits from primary societies.

				Rs.
(ii) on fixed periods—				
For 1 year	..	..	..	1,650
For 2 years	..	..	..	Nil.
For 3 „	..	..	..	265
More than three years	..	..	..	Nil.

B.—By individuals:—

				Rs.	A.	P.
(i) Current or savings bank account—						
In current account	..	..	..	0	6	0
In savings banks account	..	..	..	412	3	0
(ii) On fixed periods—						
For 1 year	..	..	..	12,100		
For 2 years	..	..	..	14,900		
For 3 „	..	..	..	14,300		
More than three years	..	..	..	Nil.		

Facilities of depositing are not restricted whatsoever.

2947. 9. Other borrowings as per details below:—

				Rs.	A.	P.
1. Deposit from Municipal Committee Kohat for 1 year	..	..	..	14,000	0	0
2. „ District Board Hazara for 1 year	..	..	..	60,000	0	0
3. „ Notified Area Committee Nawanshehr for 1 year	..	..	..	9,254	7	0
4. Deposit from District Board Dehra Ismail Khan for 1 year	..	..	..	9,000	0	0
5. „ District Board Kohat for 1 year	..	..	..	20,000	0	0
6. „ Municipal Committee Haripur for 1 year	..	..	..	15,000	0	0
7. Deposit from Hodson Horse Co-operative Bank Ltd., Kohat for 3 years	..	..	..	20,000	0	0

2948. 10. The bank has opened an overdraft account with the Imperial Bank, Abbottabad branch, on the security of the Government paper of the face value of Rs. 26,300 lodged with the said bank. At present overdraft is sanctioned up to Rs. 15,724. The bank has not provided for sudden emergencies. Normal requirements and sudden emergencies are treated alike. The assets of the Bank amount to Rs. 2,43,744, as on 31st August 1929. Hence the ratio of the sanctioned overdraft with the assets of the bank is 1 : 17.

2949. 11. Rates of interest paid by the Central Bank on various deposits are as follow :—

For current deposits	..	..	3½% per annum.
For savings bank deposits—			
For six months	..	..	4½% per annum also.
For 1 year	..	..	6% per annum.
For 2 years	..	..	6½% per annum.
For 3 years	..	..	7% per annum.

Half per cent. more interest is allowed on deposits from members.

2950. 12. For other borrowings the rate of interest is as follows :—

5½ per cent. for 1 year. 6 per cent. for 2 years or more.

The Central Bank does not possess more money than is required for the requirements of the societies. It does not have as much funds as to contemplate on any occasion of utilizing them in some other business. It has been on the other hand offering higher rate of interest than is offered by some other institutions simply to attract new deposits. Neither can the bank in its present financial position think of reducing the rate of interest already offered to various depositors. It is apprehended that such a step on the part of the bank may result in the withdrawal of the deposits kept with the bank.

2951. 13. The bank lends to rural credit societies and all other societies at the rate of 8 per cent. per annum, no exceptional rates are allowed.

2952. 14. The rural credit societies lend to their members at the rate of 12½ per cent. per annum.

2953. 15. The rate of lending depends on the security of movable or immovable properties or their acceptability as collateral security, besides a personal security. What is demanded by the Bank from the societies is a pronote duly signed by the members of its committee and recommended by the Inspector. No further collateral security is demanded by the bank. Similarly the primary credit societies lend to its members on personal and not on impersonal security. As yet no instance has occurred in which either the Central Bank or the primary credit society has demanded from the borrower any collateral security.

2954. 16. The rural credit societies have not as yet experienced any difficulty in enforcing the claims against its members. In cases of default by the members the methods of arbitration have been adopted successfully.

2955. 17. (i) Transmission of funds between the Central Bank and the primary credit societies are made by money orders; cash orders; insured covers; and by personal attendance.

(ii) Transmission of money between Provincial Bank and the Central Bank is arranged by cheques and remittance transfer receipts,

*Hony-Secretary, Central Co-operative Bank, Hazara.*

Interest on deposits is paid either by cash order or by personal attendance. Dividend on shares is also paid by personal attendance or by money orders according to the instructions of the shareholders.

2956. 18. In the last 2 years Central Bank has declared dividend at the rate of 5 per cent. and 6 per cent. respectively. Prior to that no dividend was declared by the bank owing to the shortness of the profits.

2957. 19. The Hazara Central Bank does not engage in any other banking activities except financing the societies affiliated to it.

#### IV.—GENERAL.

2958. 20. The Hazara Central Bank was founded on the 27th March 1926. The total number of societies affiliated to Hazara Central Bank on the 31st December 1928 was sixty-two only.

21. The present directors of the Hazara Central Bank mostly belong to the class of representatives of societies and their members. The influence on the general policy of the Bank is mostly of the members from primary credit societies. It offers high rate of interest to depositors than any other Bank in this place. It lends to co-operative credit societies only.

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**SUMMARY OF REPLIES FROM POSTMASTERS AT DISTRICT  
AND TEHSIL HEADQUARTERS IN THE N.-W. F. P. TO  
THE SPECIAL QUESTIONNAIRE FOR POSTAL OFFICIALS.**

2959. Question 2. What classes of people keep savings bank deposits with you and what roughly is the proportion of the deposits of each of these classes to the total?

2960. The replies are:—Kohat: about two-thirds employees of the Military Department, one sixth of Civil Departments, and the remaining one-sixth employees of mercantile firms and the general public; Hangu: chiefly Government officials, also Regimental and Security Accounts; Peshawar: Government employees 60 per cent., employees of banks, firms, and Municipality and Education Department 20 per cent., contractors and security deposit accounts 10 per cent., Regimental accounts 4 per cent., agriculturists 1 per cent., and miscellaneous 5 per cent; Charsadda: mostly Government employees; Mardan: Government employees, employees of firms; and a few other literate persons in the proportion of 10:5:1 respectively; Nowshera military employees, form 50 per cent., other Government employees 30 per cent., and private firms, etc., 20 per cent; Swabi: Government employees 60 per cent., landowners 30 per cent., and shopkeepers 10 per cent; Abbottabad: Government officials and other educated classes 90 per cent; Security Accounts, Regimental Accounts, Public Accounts and Teachers' Provident Fund accounts 10 per cent; Laki-Marwat: mostly Government servants, Government institutions and businessmen; Haripur and Mansehra: mostly Government servants who form a proportion of 8:1 and 3:1 respectively with the rest of the depositors; Bannu: soldiers, clerical staff, and security deposits; Dera Ismail Khan: Government servants form three fourths of the total number of depositors; Kulachi: 80 per cent are Government servants, 5 per cent traders, 3 per cent students, 5 per cent. teachers, 5 per cent. rich landowners and 2 per cent., agriculturists; and Tank: Government officials.

Question 3. Are the advantages of savings bank business sufficiently known to the public in your area. How do the facilities offered by your branch compare with those offered by branches of the Imperial Bank or of the Indian joint stock banks, if any exist in your locality. What further facilities would you suggest to make this class of business more popular?

2961. The advantages of savings bank system are sufficiently known to the public, according to the Postmasters of Kohat, Charsadda, Nowshera, Manshera, Bannu, Laki Marwat, D. I. Khan, and Tank, while they are known only to educated and literate classes in Mardan, Haripur, Kulachi and Abbottabad. At Mardan only the classes who usually deposit, i.e., Government officials, employees of local firms and a few literate persons know the advantages, and at Hangu and Sawabi the answer is in the negative as the people are poor and uneducated. At Peshawar the advantages are only partly known.

2962. The Postmaster, Bannu, says that the facilities offered by the savings bank are greater than those offered by banks, while according to the Postmaster, Kohat, its greater security and stability and the fewer restrictions are a clear advantage over the higher rate of interest offered by the latter. According to the Postmaster, Mardan, except for the higher rate of interest and the higher annual limit for deposits in banks the post office savings bank offers more facilities in every way. The Postmasters, Nowshera says that the savings bank offers

a lesser rate of interest than other banks. At Abbottabad, people prefer the post office savings bank to banks as the former is a Government institution, and the latter private concerns. The Postmaster of Tank says that the facilities offered by the savings bank are not great as compared with those offered by private banks. Except for the lower maximum limit than in the Imperial Bank of India, the savings bank offers more facilities, says the Postmaster of Peshawar.

2963. The Postmasters of Kohat, Peshawar, Charsadda, Mardan, Nowshera, Sawabi, Abbottabad, D. I. Khan, Kulachi and Tank suggest increase in rate of interest, the Postmaster of Kohat from 3 per cent. to  $3\frac{1}{2}$  per cent., Peshawar from 3 per cent. to 4 per cent., Nowshera "a nominal enhancement" and Tank, the same rate of interest as that of banks. The removal or enhancement of the annual limit of deposit is suggested by the Postmasters of Charsadda and Mardan. The Postmaster Kohat suggests the opening of current accounts at a nominal rate of interest, Kulachi wants interest to accrue from the date of deposit and added to the principal at the end of every half year, and Tank suggests that the restriction regarding withdrawals which are now allowed only once a week should be removed. The Postmaster, Peshawar, would like accounts allowed in joint names, so that in case of death the survivor might receive the money without reference to the representatives of the deceased.

2964. 4. How do persons other than depositors invest their occasional or permanent savings in your locality? Do you think that if your branch opens current accounts bearing no interest or a nominal rate of interest withdrawable by cheque, it will attract any substantial deposits from the various classes of people in the area in which your branch is located?

2965. Depositors other than depositors in post office savings bank invest money in local banks, according to the Postmasters of Kohat, Peshawar, Abbottabad, Nowshera, Bannu, D. I. Khan, Kulachi and Tank; at Kohat the mercantile class deposits in banks withdrawing the money for business purposes as required. At Peshawar money is invested in business firms, mortgages of houses, land and ornaments, at Abbottabad in the purchase of postal cash certificates also, and at Kulachi, with *Mahajans* or private bankers. At Charsadda people deposit their money with *Mahajans* who offer a higher rate of interest and allow overdraft in times of need; at Mardan they invest in mortgage of land, houses, etc., at Nowshera in trade, at Sawabi in purchase or mortgage of land, and other immovable property; at Manshera in purchasing land or in business; and at Laki Marwat, by agriculturists in purchase of lands, and by businessmen in purchasing grain. At Hangu the people are too poor to invest.

2966. Regarding the introduction of current accounts bearing no interest or only a nominal rate, the Postmasters of Kohat, Peshawar, Charsadda, Nowshera, Abbottabad, and D. I. Khan think that the system will be popular, while the Postmaster of Kulachi thinks that it will be popular only if the rate of interest is increased. The Postmaster of Laki Marwat thinks that there is no need of introducing the system, while the Postmasters of Hangu, Mardan, Sawabi, Manshera, Bannu and Tank say that it will not attract substantial deposits from the public.

2967. Question 5. Have you experienced any difficulty in meeting the demand for withdrawal from the cash kept in your branch?

2968. The Postmasters of Kohat, Hangu, Peshawar, Mardan, Nowshera, Sawabi, Abbottabad, Haripur, Manshera, Laki Marwat, D. I. Khan

and Kulachi reply that they do not meet with any such difficulty, while the Postmaster of Tank says that he has experienced this difficulty a good many times. At Charsadda depositors have to wait till the next day for the money. The Postmaster Bannu also feels difficulties in meeting the withdrawals from the cash kept in his office.

2969. Question 7. Do you have a surplus of remittances to your branch? Please mention the months of the year during which you usually have a surplus.

2970. The answer is in the affirmative in the case of Hangu. In Mardan the surplus occurs almost daily, and in Nowshera throughout the year especially from November to April. Tank, Swabi Manshera, Laki, Marwat, Kulachi have a surplus every month. The others answer in the negative.

Question 8. What percentage of the people living in the locality in which your office is situated are familiar with cash certificates? What methods would you suggest to make the facilities offered by this system better known to them? Do the present rates of cash certificates require revision? How do these rates compare with returns e.g., on other kinds of safe investments, in land, etc., or the net earning from money lending? Are there any grounds for believing that the rates offered on postal cash certificates are having a prejudicial effect on the deposits in branches of the Imperial Bank or of joint-stock banks in your locality?

2971. No appreciable part of the population is familiar with this form of investment in Kohat, while the people in rural areas who are poor and uneducated do not know any thing about this. At Peshawar 20 per cent., at Mardan, 10 per cent. at Nowshera 30 per cent. at Sawabi 5 per cent., at Abbottabad 60 per cent., at Haripur 10 per cent., at Bannu 10 per cent., at Laki Marwat 10 per cent., at D. I. Khan 75 per cent. and Kulachi 5 per cent. of the population are familiar with this form of investment. Government officials only at Tank are familiar with the system of cash certificates.

2972. The old rate of Rs. 75 for Rs. 100 or a lower rate than that at present, is suggested by the Postmasters of Kohat, Peshawar, Charsadda, Nowshera, Haripur, Bannu, Laki Marwat, D. I. Khan, Kulachi and Tank. The Postmaster of Peshawar suggests the advertising of cash certificates in Pashto, Urdu and English in newspapers, the Postmaster of Nowshera suggests the free and frequent distribution of pamphlets on the subject, the Postmaster of Sawabi, suggests propaganda, through teachers and patwaris and the Postmaster of D. I. Khan, the circulation of notices and advertisements in papers. Abbottabad, and Kulachi Postmasters suggest that interest on cash certificates should be allowed throughout the first year of investment.

2973. Investment on land and money-lending brings more profit, according to the Postmasters of Peshawar, Charsadda, Mardan, Haripur, Bannu and Laki Marwat, while the Postmaster of Kohat thinks that investment in money-lending is more profitable as profits from investment in land have decreased owing to speculation. The Postmaster of Abbottabad has nothing to say on these points as non-agriculturists are forbidden by law to purchase land from the agriculturist class. The Postmaster of D. I. Khan thinks that, for small investments cash certificates are more profitable.

2974. Regarding the last point the Postmasters of Peshawar, Mardan, Abbottabad and Kulachi think that investment in cash certificates has

had no prejudicial effect on investments in banks, while the Postmaster of Kohat thinks that the growing popularity of cash certificates will effect investment in banks.

2975. Question 9. Are there special development difficulties standing in the way of your office—

- (a) serving as a place of safe deposit for gold, silver, jewellery, documents, etc.,
- (b) opening current accounts,
- (c) selling Government securities,
- (d) undertaking encashment of notes into gold in small amounts at rates which do not involve loss to Government; and
- (e) lending out surplus funds on the spot under suitable safeguards and limitations, to:—
  - (1) licensed Mahajans.
  - (2) agriculturists,
  - (3) non-agriculturists.

What safeguards, security, restrictions and control would you suggest in each case?

2976. The Postmaster of Kohat thinks that the undertaking of the business mentioned in (a), (c), (d) and (e) will have an adverse effect on the legitimate work of the Post Office. The Postmaster of Hangu thinks that the place is not safe for the deposit of gold, etc., but that as regards the rest there are no difficulties, provided in the case of (e) repayment is properly secured. The Postmaster Peshawar, requires security of movable and immovable property to be taken for loans, and specially trained staff. No difficulties are reported by Charsadda and Nowshera if the loan can be easily recovered and sufficient security is available. The Postmaster of Mardan does not think the introduction of these advisable as they are all speculative. The Postmaster, Abbottabad, requires property of twice the value as security and also the personal surety of the village headman. The Postmaster of Haripur says that the staff is insufficient for (a) to (d) and that (e) is the duty of the co-operative credit societies. The Postmaster, Bannu, thinks that (a) is not advisable as there are no suitable arrangements, while for (b) and (d) there is no difficulty and there is no occasion for (c). As regards (e) he thinks that a strong building and increase of staff are necessary, and that for loans the borrowers must produce a certificate from the district revenue authority to the effect that their property will cover the amount of the loan. There are no difficulties at Laki Marwat if a sufficient staff, and a strong building in the heart of the bazar are given. There are no adequate arrangements for (a) in D. I. Khan, but there are no difficulties for (b), (c) and (d); for (e) sufficient money and a proper guard are necessary. At Kulachi there are no difficulties, and the Postmaster suggests that for (e) the *mahajans'* property should be held liable and their heirs and executors, should be held responsible for the repayment of the debt, while in the case of (a) (b) and (c) sufficient security or the surety of a licensed *mahajan* must be obtained. The Postmaster, Tank, suggests that (a) and (b) are the work of private banks and (d) (e) of rich men.

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## GLOSSARY

Abi . . .	Irrigated.
Abiana . . .	Water rate
Alucha . . .	Plum.
Artia . . .	A commission agent.
Asamis . . .	Clients, Debtors.
Badam . . .	Almond.
Bagh . . .	Garden.
Bahi . . .	Account-book.
Bajra . . .	Small millet ( <i>Pennisetum typhoidum</i> ).
Band . . .	Embankment.
Bania . . .	A Hindu-trader, who is generally also a money-lender.
Banjar . . .	Barren, waste land.
Barami . . .	Cultivable land watered by rainfall.
Benami . . .	Transactions in the name of a person other than the real party.
Bhoosa . . .	Husk or chaff of grain, straw.
Chahi . . .	Land watered by wells.
Chaplies . . .	Foot-wear.
Charkha . . .	Spinning-wheel.
Chithies . . .	Letters (of credit).
Chowkidar . . .	Watchman.
Chungi . . .	Octroi charges.
Dagoba . . .	Land irrigated by pond-water.
Darshani Hundi . . .	Hundi payable at sight.
Dharamshala . . .	Free rest house.
Dharat . . .	Commission in grain, (about 1/8 seer per maund) charged by the weigher, in grain markets.
Dharman . . .	A deduction of about 1/32 per cent made by the commission agent from the customer, for charity purposes.
Dharwai . . .	A man who weighs grain.
Dofasli . . .	Twice harvested in a year.
Fard . . .	A statement showing particulars of an individual's land holdings.
Ghee . . .	Clarified butter.
Gur . . .	Molasses.
Haisiyat . . .	Financial status.
Hing . . .	Asafoetida.
Hujra . . .	A village meeting place.
Hundi . . .	A bill of exchange.
Ilaqa . . .	Tract, jurisdiction.
Izat . . .	Honour, reputation.
Jagirdar . . .	The holder of a fee or manor.
Jarib . . .	A measure of length.
Jat . . .	Cultivator.
Jirga . . .	A republican system of gathering among the people of the N.-W. F. P. to settle disputes of every sort.
Jowar . . .	Large millet ( <i>Sorghum vulgare</i> ).

Kabuli . . .	The coin current in Afghanistan equivalent to half rupee (Indian coin).
Kamins . . .	Monials.
Kanal . . .	Measure of land equal to $\frac{1}{8}$ th of an acre.
Kashida . . .	Embroidery work.
Kashtkar . . .	Agriculturist.
Khan . . .	Mohammedan title of a Mohammedan land-lord in the N.-W. F. P.
Kharif . . .	Autumn harvest ; crops sown in the beginning of the rains and reaped in October-December.
Khazanchi . . .	Cashier.
Kisht-bandi . . .	Instalments.
Kotha . . .	Store-house for grain.
Kulla . . .	An embroidered or ordinary cap or headwear.
Lalkitab . . .	A village book in which entries are made in respect of produce, mortgages, etc.
Lambardar . . .	Head man of a village who collects the Government dues or land revenue.
Lungi . . .	A peculiar striped cloth used as turban.
Mahajan . . .	Merchant, money-lender.
Maira . . .	Meadow.
Malik . . .	Cultivator proprietor.
Mandi . . .	Market.
Masuds . . .	One of the clans of the frontier.
Maund . . .	A weight of 82.22 lbs.
Mehman-nivazi . . .	Hospitality.
Miyadi . . .	Due after some time.
Mizri . . .	Palm-leaf.
Muddati . . .	Payable after a specified time.
Munafa . . .	Profit, gain.
Mung . . .	A kind of pulse ( <i>phaseolus radiatus</i> ).
Munshi . . .	A clerk, teacher.
Nahari . . .	Food for horses.
Naqsha . . .	Map, chart.
Nehri . . .	Watered by canal.
Odhi . . .	A measure of grain comprising about four seers or eight lbs.
Paltai . . .	Charges levied by the commission-agent for pouring out the grain from the sacks.
Pankhas . . .	Fans.
Patta . . .	A lease.
Patwari . . .	Village accountant.
Pavandas . . .	Merchant men of Afghanistan.
Peti . . .	A measure of weight (10 <i>tolas</i> ) used in bullion market.
Pishta . . .	A Pistachio nut.
Pucca . . .	Solid, complete.
Qurz-i-hasana . . .	Temporary debt.
Rabi . . .	Spring crops sown in autumn and reaped at the end of the cold weather.
Rehan . . .	Mortgaged.

Sadar . . .	Chief, Capital.
Safed-posh . . .	A local headman in charge of a group of villages.
Sahukar . . .	Money-lender, indigenous banker.
Sailabi . . .	Marshy.
Sharbat . . .	Syrup.
Sharik . . .	Person of the same caste, sub-caste or fraternity. Partner or shareholder.
Sheranis . . .	A frontier tribe.
Takavi . . .	An advance made by Government to cultivators for agricultural purposes.
Tanda . . .	A kind of dry fodder.
Taranger. . .	A rope woven in to a weblike device to bind loose stuff into a compact mass.
Tehsil . . .	A sub-division of a district.
Topa . . .	A variable measure (of volume) comprising two to four seers of grain.
Tulai . . .	Weighing charges.
Yak-fasli . . .	Harvested once in a year.
Zaildar . . .	A local revenue official in charge of a group of villages
Zamindar . . .	A land owner or peasant proprietor.

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